

6/8

FOREIGN AFFAIRS

AN AMERICAN QUARTERLY REVIEW



JANVARY

1975

Department of Military Science
Wheaton College, Wheaton, Ill., 60187

VOL. 53 NO. 2

\$2.50 A COPY

FOREIGN AFFAIRS

AN AMERICAN QUARTERLY REVIEW



JANUARY 1975

How Can the World Afford OPEC Oil?

*Khodadad Farmanfarmaian, Armin Gutowski, Saburo Okita,
Robert V. Roosa and Carroll L. Wilson* 201

A World Depression?

Harold van B. Cleveland and W. H. Bruce Brittain 223

Restructuring the World Economy *Hollis B. Chenery* 242

The Palestinian Quest *Eric Rouleau* 264

After Rabat: Middle East Risks and American Roles

Richard H. Ullman 284

The United States and Chile: Roots and Branches

Richard R. Fagen 297

Nigeria: Africa's New Power *Jean Herskovits* 314

America's Secret Operations: A Perspective . . . *Harry Rositzke* 334

Vietnam: The War That Won't End *Maynard Parker* 352

Correspondence 375

Recent Books on International Relations 378

Source Material *Donald Wasson* 399

WILLIAM P. BUNDY

Editor

JAMES CHACE

Managing Editor

JENNIFER SEYMOUR WHITAKER

Assistant Editor

ELIZABETH H. BRYANT

Book Editor

Editorial Advisory Board

A. DOAK BARNETT

HARVEY BROOKS

JOHN J. McCLOY

C. FRED BERGSTEN

CARL KAYSEN

HARRY C. McPHERSON, JR.

JAMES H. BILLINGTON

WILLIAM L. LANGER

WILLIAM M. ROTH

Published quarterly by the Council on Foreign Relations, Inc. Editorial Office, 58 East 68 Street, New York, N.Y. 10021. The Editors will consider manuscripts submitted, but assume no responsibility regarding them. Cable address Foraffairs, New York. Payments and inquiries concerning subscriptions and reprints of articles should be sent to *Foreign Affairs*, 428 East Preston Street, Baltimore, Md. 21202. Subscription price \$10.00 a year, post-free to any address.

Vol. 53, No. 2. Copyright 1974, Council on Foreign Relations, Inc. Printed in the U.S.A.

CONTRIBUTORS TO THIS ISSUE

KHODADAD FARMANFARMAIAN, Chairman of the Development Industrial Bank of Iran; formerly Managing Director of the Planning Organization of Iran and Governor of the Central Bank of Iran; author of *Social Change and Economic Behaviour in Iran* * * * **ARMIN GUTOWSKI**, Professor of Economics and Development, University of Frankfurt/Main; member of the Council of Economic Experts on Economic Development in West Germany and of the Board of Advisers to the Federal Economic Ministry; author of *International Monetary Problems and of other works in German* * * * **SABURO OKITA**, President of the Overseas Economic Cooperation Fund and Chairman of the Japan Economic Research Center, Tokyo; member of the U.N. Development Planning Committee; author of numerous books in Japanese on Japan and Asia * * * **ROBERT V. ROOSA**, partner in Brown Brothers Harriman & Co., New York; Under Secretary of the Treasury for Monetary Affairs, 1961-64; Vice President, Research Department, Federal Reserve Bank of New York, 1956-60; author of *The Dollar and World Liquidity* * * * **CARROLL L. WILSON**, Mitsui Professor in Problems of Contemporary Technology, Sloan School of Management, Massachusetts Institute of Technology; General Manager, Atomic Energy Commission, 1947-51 * * * **HAROLD VAN B. CLEVELAND**, Vice President, International Economics, First National City Bank, New York; author of *The Atlantic Idea and Its European Rivals* and other works * * * **W. H. BRUCE BRITTAIN**, Associate Economist, International Economics, First National City Bank, New York * * * **HOLLIS B. CHENERY**, Vice President for Development Policy, the World Bank; formerly Professor of Economics, Harvard; author of *Redistribution With Growth* and other works on economic development * * * **ERIC ROULEAU**, longtime Middle East correspondent for *Le Monde* * * * **RICHARD H. ULLMAN**, Director of Studies at the Council on Foreign Relations; Professor of International Affairs, Princeton University; author of *The Anglo-Soviet Accord* and other works * * * **RICHARD R. FAGEN**, Professor of Political Science, Stanford; President of the Latin American Studies Association; co-author of *Latin America and the United States: Changing Political Realities*, and author of other works * * * **JEAN HERSKOVITS**, Associate Professor of African History, the State University of New York at Purchase; author of *A Preface to Modern Nigeria*, and editor of the "Subsaharan Africa" volume in *Dynamics of World Power: Documentary History of U.S. Foreign Policy, 1945-1973* * * * **HARRY ROSITZKE**, with the Office of Strategic Services and the Central Intelligence Agency for 27 years, before his retirement in 1970; author of *The U.S.S.R. Today* and other works * * * **MAYNARD PARKER**, Managing Editor, *Newsweek International*, since 1973; Hong Kong Bureau Chief, *Newsweek*, 1970-73; Saigon Bureau Chief 1969-70.

The articles in FOREIGN AFFAIRS do not represent any consensus of beliefs. We do not expect that readers of the review will sympathize with all the sentiments they find there, for some of our writers will flatly disagree with others; but we hold that while keeping clear of mere vagaries FOREIGN AFFAIRS can do more to guide American public opinion by a broad hospitality to divergent ideas than it can by identifying itself with one school. It does not accept responsibility for the views expressed in any articles, signed or unsigned, which appear in its pages. What it does accept is the responsibility for giving them a chance to appear there. The Editors.

NOTE: *Foreign Affairs* WILL CONTINUE TO CONSIDER FOR PUBLICATION, IN OUR CORRESPONDENCE SECTION, MATERIAL SUBMITTED BY READERS THAT DEALS WITH THE SUBSTANCE OF ARTICLES THAT HAVE APPEARED IN CURRENT ISSUES OF THE MAGAZINE.

FOREIGN AFFAIRS

Vol. 53

JANUARY 1975

No. 2

HOW CAN THE WORLD AFFORD OPEC OIL?

*By Khodadad Farmanfarmaian, Armin Gutowski,
Saburo Okita, Robert V. Roosa, and Carroll L. Wilson**

ALMOST exactly a year ago, the members of the Organization of Petroleum Exporting Countries (OPEC) raised the price of their oil sharply. With subsequent adjustments, the average price of Middle East oil stood in late 1974 at about \$10 per barrel, roughly four times the mid-1973 price.

Accordingly, over the five years 1975 through 1979, the oil-importing countries of the world will pay these OPEC countries a total of at least \$600 billion (in 1974 dollars) subject to four conditions:

- (1) that the importing countries individually can find the needed means of payment;
- (2) that their average annual economic growth continues close to the estimated global rate of about four percent for the next five years, or about two percent per capita;
- (3) that there are no major changes in the structure or stability of international political relations;
- (4) that the price of Middle East oil remains near the \$10 level.

Whether or not any of these conditions can be fulfilled is, to say the least, problematical. The first raises the specter of the possible inability of existing international institutions and payments

* The group responsible for this article, listed alphabetically, comprises five individuals, acting in their private capacities. The ideas expressed were developed in a series of meetings through the fall, and the text has been reviewed by each of the five authors. While not necessarily endorsing the text in every detail, all the members of the group fully subscribe to its central points and proposals. Many individuals from other OPEC and OECD countries who were consulted cannot be given individual acknowledgement here. The authors are indebted to Keith Josephson for extraordinary help in the task of intercontinental coordination.

mechanisms to cope with a financial problem of staggering proportions. It is to that problem that we will address our more detailed suggestions further on in this article. The importance of the second speaks for itself; prolonged stagnation of the world economy would surely have most serious human and political consequences. The third, if it were not fulfilled, raises even more nightmarish possibilities, on which one need not dwell here. Among them, the first three assumptions may seem to many to be on the optimistic side. In contrast, some would argue that the fourth assumption ignores the possibility of some drop in the oil price, say to \$8 per barrel (in 1974 dollars) or even, a few think, to \$6 per barrel. Without judging the likelihood of such changes, let us only note that they would change the volume of the required payments from something over \$600 billion to around \$500 billion (at \$8 per barrel) or to roughly \$400 billion (at \$6 per barrel)—even if there were no increases in the volumes bought at these lower prices. Or, in the opposite direction, if the price were again to be raised in real average terms, the amount of payments could actually be greater.

The point is, that on any remotely realistic price assumption the scale and abruptness of the contemplated payments to the OPEC countries—ranging from \$100 billion to \$135 billion each year over the remainder of this decade at the assumed \$10 price—present a huge transfer problem. Indeed, in 1973 the sum of all merchandise exports by all non-OPEC member countries of the International Monetary Fund was less than \$500 billion. How can the enormous camel of oil transfer payments pass through the eye of that needle?

II

Certainly conservation of energy and conversion to alternative fuels cannot contribute importantly to the answer over the next five years. At most, the gain from conservation can be expected to slow the growth in uses of energy, so that after the initial reductions of 1974, the rate of use of OPEC oil over the remainder of the decade will probably grow slowly, averaging close to the 1973 volume. Nor is there much scope for early reduction of the dependence on OPEC oil through conversion to alternatives—not even in the United States, with its vast reserves of coal and its potentialities both for more oil and for producing oil from shale. Lead times are simply too long, and needed en-

vironmental constraints too complex, for major adaptation before the 1980s.

Nor can increased trade with the OPEC countries provide more than a fraction of the answer. The oil-producing countries cannot absorb such an inundation of goods and services, nor can the rest of the world physically divert one-quarter of all the goods that move in trade out of present channels and into the OPEC countries. The oil-importing countries will just as certainly, however, be competing with each other to earn as much as they can to help meet their oil deficits, and the question will be, as they reach desperately for each other's markets, whether they will also erect more menacing barriers against each other's exports. At best, the most they can earn from each other and through added sales of consumer and capital goods to the OPEC countries would appear to be only one-quarter to one-third of the total transfer that has to be made, if the four opening assumptions hold over these next five years.

The remaining \$400 to \$450 billion will have to be settled through transfers of claims rather than through the current movement of goods. The OPEC countries will become investors in either the productive real assets of the oil-importing countries, or in intangibles representing future claims on the producing assets and real income of the importing countries. Such massive shifts of debt and ownership to the OPEC countries may be theoretically conceivable for the oil-importing countries as a group, if their aggregate wealth were brought to bear on the problem on a totally unified basis. In practice, if they act individually, it is simply not conceivable that most of the importing countries can find matching inflows of funds, from OPEC countries at least, that would enable them to meet their oil deficit needs for very long.

This conclusion has been concealed, at least from the public, through most of the past year. Indeed, 1974 will surely prove to have been the easy year, not only because the payments themselves had not reached full magnitude until late in the year, but also because many old or new facilities could be called into initial use for channeling these growing payments flows, and because most oil-importing countries still had relatively large reserves of funds or borrowing power to draw upon—capabilities which are being rapidly exhausted in many countries.

Now a denouement, or a succession of denouements, is rapidly

approaching. A looming problem is the ability of the major banks to continue to accept such a large volume of funds in the form of short-term deposits. In all likelihood, unless further approaches to cooperative action are made within the next few months, some oil-importing countries will have run out of goods to sell, or markets to reach, or capacity to borrow to cover their deficits, and a number may become unable to meet the servicing on the enlarged debts. Whether that would result in currency devaluations, in defaults by banking and business firms in those countries, in national debt moratoria, or in political revolution and debt repudiation, the entire structure of world payments, and of trade and financial relationships, would certainly be fractured.

Thus there is the immediate danger of progressive collapse triggered by defaults both by individual industrialized countries and by developing countries lacking natural resources. Yet, paradoxically, there is a great opportunity also, which lies beneath the surface of this immense "recycling" problem. In essence, the world today is starved for capital. Greater investment, not only in OPEC countries but everywhere, is an essential (though not in itself a sufficient) condition for the enlargement of output and lowering of real costs that offer the most effective counterforce to persistent worldwide inflation. In this situation, consumer payments for high-priced oil in the importing countries represent a diversion from other forms of consumption, in effect a form of forced saving, with the proceeds of these payments becoming, at least in part, investible funds in the hands of the OPEC countries. If the OPEC countries in turn had the proper outlets and were ready to employ their investible funds, they could make a crucial contribution to the capital formation that the world so urgently needs.

To date, the funds flowing to OPEC have not been truly effective in this investing function. To be sure, much has been done through creative private and governmental efforts to attract OPEC investors directly, or in roundabout ways, into useful investments in countries that need those proceeds to help pay for more oil. And much more can be done through diversified, disparate efforts. Yet it is surely too much to expect that the impending massive quantities of investible funds, becoming available at an unprecedentedly rapid rate, can all be distributed by an invisible hand into productive uses that will happen to occur

in, or spill over into, the countries that need more wherewithal for making their oil payments. Thus the ultimate solution—a situation in which oil-importing countries, *both individually and as a group*, have developed the additional capacity to produce, export, and thus pay for their oil through the normal operation of the international economy—remains distant.

III

The astonishing fact, in the face of the largest single mutation in payments patterns that the modern world economy has ever experienced, short of war, is that so little dialogue about the problems ahead has yet occurred among the countries principally concerned—in the spirit of responsible nations consulting together over a staggering common problem. The questions of oil price, of goods availabilities and of potentials for lending, investing, or outright aid are all inexorably interrelated. Yet they are all being addressed separately, and even then not in a mutual exploratory appraisal by representatives of all three major interests—the oil-producing countries, the more developed oil-importing countries, and the oil-importing less-developed countries (LDCs).

The OPEC countries meet each other often, usually to take decisions with respect to reduced output or higher prices. The larger consuming countries have, each in its own way, worked out bilateral deals with individual producing countries, aimed at temporary improvisations to cover a few months' needs. A loose confederation has been formed among 11 or 12 of the consuming countries for the purpose of sharing absolute shortages in the event of another embargo against one or more of the group by the OPEC countries, and as this article went to press this was officially converted into an International Energy Agency of 16 nations, all members of the Organization for Economic Cooperation and Development (OECD). The International Monetary Fund has established a special "Witteveen facility" for borrowing modest sums from some OPEC members to be reloaned to Fund members suffering acute oil deficits. But apart from an "Interim Committee" within the IMF structure, there has been no joining of representatives of all sides of the problem, in a comprehensive exploratory review of the practical possibilities, and limitations, on all sides.

To be sure, several OPEC countries (notably Iran, Kuwait,

and Saudi Arabia) have themselves already extended beyond their own contributions to the IMF facility by beginning direct assistance to some of the needier developing countries. However, the need for such funds is well beyond the contributions made thus far. The forces of private initiative have been well represented, too, in quite another form of "recycling," as droves of salesmen with attractive investment opportunities to offer have swarmed through the OPEC countries.

Impressed by the variety and relative adequacy of the improvisations occurring in 1974, the United States has, however—until the Kissinger address of November 14 and the Simon address of November 18—avoided generalized consultations to deal with any major part of the transfer problem, apparently believing through most of 1974 that a hands-off approach of *laissez-faire* would suffice.¹

Even as it shifted in mid-November to propose heroic but vague new plans for \$25 billion annual recycling arrangements among the consuming countries, however, the United States seems to expect consuming countries to shrink their consumption of oil quite naturally as they proceed further in adapting to the increase of the oil price. It also apparently expects that the producing countries will be unable to agree on shares of a shrinking market and will consequently begin competing among themselves at declining oil prices—that the "cartel" will break apart. On the ground that extensive planned arrangements, even on a contingency basis, would merely delay the force of market pressures toward lower oil prices, the United States was, until November, extremely cool toward any proposed multilateral efforts to "recycle" the oil funds—that is, organized methods for routing some part of the OPEC oil receipts (through trade, investment, loans or aid) back to the countries which urgently need more funds to use for financing continued deficits and development. And even now, the United States proposes to organize the developed countries first, as a prerequisite to other contacts and negotiations involving either the developing countries or the oil-producing countries.

We believe that if this approach ever had merit, its usefulness is now at an end, for three interrelated reasons:

¹ Since the proposals by Secretaries Kissinger and Simon were made as this article was in the press, it was not possible for the authors to review together their reactions. Accordingly, all references to these proposals on this and the following pages are the responsibility of Mr. Roosa.

First, as already noted, the danger that one or more importing nations will simply not be able to pay for oil is immediate, within a matter of months. To be sure, following the lifting of the embargoes early in 1974, supplies have been adequate and payments strains moderate—a lull made possible by the various bilateral improvisations, by IMF or particular relief efforts, by some initial shrinkage in oil consumption, and by inadvertent OPEC financing arising from transitional delays in the actual transfer of funds through the major oil companies to the OPEC countries. The public alarm of a year ago has consequently waned. Yet several observers who have tried to work out projections of balance-of-payments and debt-carrying potentials cannot see how some important countries, even in 1975, can finance the scale of impending payments that each of them must somehow transfer across its own exchanges if oil is to flow, if the world economy is to have its prime energy supply, and if the four conditions stated at the outset of this article are to be fulfilled.

Second, brinkmanship is simply not a workable approach. It assumes an ignorance or susceptibility to pressure that does not exist among the OPEC countries; and most of all it postulates, or appears to postulate, an irreducible conflict of interest between oil producers and oil importers. Obviously, on the narrow question of price, their interests differ. From the standpoint of the consumers, it is argued that a reduction in the oil price would scale down the transfer problem; and that adaptation by the oil-importing countries would be relatively much less disruptive if the price were then to rise subsequently in modest increments from an adjusted lower level. But it is also argued, especially by producer countries, that continuing increases in the prices of their major imports, not entirely attributable to the increase in energy costs, should be taken into consideration in any discussion of the stabilization of future oil prices. Whatever chance there is for resolving the price question must surely depend, however, upon the development of much closer understanding, and the articulation of mutual interests, among the oil producers and the oil consumers. And the first step toward any such understanding must just as surely lie in beginning to discuss, together, the problems of transferring payments and the opportunities for constructive investment in the setting as it actually exists at the end of 1974. In the end, all the countries will have to act in a reasonably concerted manner if solutions are to emerge.

Third—and the most fundamental thesis of this article—progress toward effective solutions almost certainly requires major new methods and institutions. These cannot be created overnight. Yet they must be in place and in operation before the crisis becomes more serious. Even after giving effect to all other approaches or arrangements already under way for the transfer of capital and claims, as a supplement to the flow of goods and services to OPEC countries, a staggering \$60 billion or more annually will remain unaccounted for.

IV

In the effort to reach a basic understanding, two central points must be fully accepted on both sides. The first has already been noted—that the oil-consuming countries must recognize that a reduction of the representative Persian Gulf FOB price from \$10 down to \$8, or even \$6, per barrel, would still not reduce their transfer burden to the OPEC countries to readily manageable proportions. In annual gross payments, before any offset for sales of goods to the OPEC countries, or for any aid they may extend, the ranges would drop either to about \$90 to \$105 billion at the \$8 price or to about \$75 to \$95 billion at \$6. Taking account of other changes as well, that would only cut the “unexplained” annual residual to the \$40 to \$60 billion range.

The second point calls for oil producers to recognize what is at least the menacing possibility that, over time, the full impact of continuing the present prices of oil deliveries would be in effect to take, in gross payments from the consuming countries as a group, the greater part of any real growth in their per capita gross national product over the remainder of the seventies. Arithmetically, for example, the transfers from the industrialized OECD countries, by far the greatest consumers of oil, must amount to a continuing charge of three percent of the present total gross national product of this group of countries (roughly \$3 trillion currently).

Static arithmetic is not, however, the real measure of the problem. On the one hand, the producing countries may well note that only a fraction of the required payments will be in the form of real resources. On the other hand, as seen from the consuming countries, the picture contains the threat of a freeze on growth that could be even more serious than the arithmetic would suggest. The diversion of a significant proportion of the income

stream out of immediate consumption is bound to have a cumulative deflationary potential. And, as already noted, this deflationary potential could very well be compounded by the efforts of each nation to eliminate or at least reduce its oil-induced current account deficit. The resulting restrictions on trade could lead to a cumulative contraction of both domestic and international economic activity in which the damage would become very great.

From these points of analysis there emerges a central conclusion already touched on: that the resources diverted from consumption must be quickly channeled into real investment expenditures. Only those capital inflows to the OPEC countries which are attracted to productive investment elsewhere address themselves to the dual requirements of sustaining economic activity in the consuming countries and generating the ultimate means of payment. And only the availability of this kind of financing can reduce the pressure on individual countries to follow restrictive and combative current-account policies which would be detrimental not only to other consuming countries but to the world economy as a whole.

Thus, to both producer and consumer countries, each for their own reasons, the case for finding productive new investment for one-half to two-thirds of the proceeds of OPEC oil sales would seem to be compelling. Even if the oil price were to fall back as far as \$6 per barrel, and if oil continued to flow on the present scale and with comparable distribution, no more than half of the indicated transfer to the OPEC countries as a group over the next five years could, in all probability, be met by sales of consumer or producer goods to them, or offset by direct OPEC grants-in-aid. The rest would have to be settled in claims of some sort, either simple interest-earning IOUs, or actual investments.

In the short term, there is no escape from the necessity of substantial borrowing to pay for current consumption. This is what in fact is happening, most notably in the case of Italy, and, over the next two years at least, the process of borrowing must continue and at a significantly increased rate. The problem here, as we shall see in more detail later, is to provide adequate means so that the less fortunate industrialized countries in particular will be able in practice to borrow effectively and thus keep themselves afloat.

But in the longer run, borrowing cannot do the job. Unless the borrower is able to achieve offsetting gains in production and

rising current account earnings, he is bound in time—and despite any method of guarantees by others that may be devised—to lose standing as a borrower. The lender will have a deteriorating credit on his hands. The interests of both sides really require—whatever the probable price of oil may be—that the bulk of any oil payments that exceed the domestic import requirements of the OPEC countries be put back into the oil-consuming countries in the form of investment. Only in that way can the additional productive capacity of the oil-consuming countries be increased in order to generate the real current account surplus needed to service the continuing payments to the OPEC group.

That is, of course, much easier said than done. The individual OPEC countries differ widely among themselves in capacity to absorb consumer and capital goods, over the coming five years, and they differ correspondingly in the amounts left over for aid or investment elsewhere. The oil-importing countries differ, if possible, even more widely in their potentials for using new investment; and those potentials may have only slight relationship to the shortfall in particular countries' ability to pay for oil. As yet, no approach has been made to forming an overview, indicating where the more significant opportunities and gaps are, after taking account of everything else that energetic separate efforts may have done. And, of course, should there ever be agreement on the usefulness of an overview, and on how to go about making it, the questions of implementation—through multinational action or continued individual reactions—would still need exploration.

Nor can preoccupation with an overriding oil-payments problem be allowed to disguise the persistence, underneath, of all the same questions of balance in the payments flows among nations that have occupied the IMF and its Committees of Ten and of Twenty for several years. The "adjustment process" may have acquired new dimensions, but it is still there, with the issues of relative burdens of adjustment among countries still to be resolved. It is puzzling that the United States, which had taken a very positive role in earlier work on the adjustment process, should have stepped aside at the present critical stage when active, informal discussion among oil exporting and importing countries—to survey and appraise, well in advance of any negotiation—would have seemed an imperative prerequisite to finding viable solutions.

V

If and when an overall appraisal is attempted, it will (1) have to start with an outline of the *shortcomings* of financing arrangements thus far attempted, in terms of the more lasting needs and interests of both the OPEC and the oil-consuming countries, and indeed of sustainable order in world affairs. It will also (2) have to consider the various ways in which an *informational overview* could be organized, carried on and made meaningfully available to the countries and international organizations involved. And it will (3) want to explore *new methods* for bringing about results that can help assure the continued functioning of the international payments system and promote the further balanced growth of the world economy.

Without presuming to imagine the full scope of possibilities that could emerge—if leading representatives of the OPEC and the less developed and the more developed oil-importing countries were to fuse their experience in intensive informal and preparatory discussions of present shortcomings, of the scope of an overview, and of the usefulness of various financing methods—it is possible to suggest illustratively some of the considerations that might belong on the agenda.

Perhaps the most conspicuous shortcoming, late in 1974, is the heavy overburden already placed on the commercial banking systems of Europe, North America and Japan—to help finance and to transfer payments from importing countries to the major oil companies; to service the companies' transfers to the OPEC countries; to hold the balances acquired by the OPEC countries; and to redistribute the counterpart of those balances as credit-worthy loans, the proceeds of which might hopefully flow onward to start the cycle over again. This process already has meant not only a ballooning of banking balance sheets, to the point of jeopardizing sound ratios of deposits and credits to capital, but it has also increasingly led to the dangerous extension of loan maturities beyond the maturity of deposits as well as a clogging up of the banking systems with purely "balance-of-payments" loans, often to governments or their agencies, at the expense of failing to serve traditional domestic credit needs.

Increasingly, as the oil payments reach cumulatively larger totals, individual banks and banking systems will become exposed to transfers among currencies in magnitudes far beyond established capabilities, and beyond prudent limits as to indi-

vidual accounts or currencies. Even more critical than the breaching of operating norms is the increased sensitivity to the risks of fluctuation in foreign exchange rates, and vulnerability to deposit shifts that may impair functional liquidity—risking technical insolvency. To be sure, the central banks of most leading countries are working together to check any domino effects, should failures occur. And in time, sizeable OPEC balances will no doubt move on into other financial or investment instruments, whose markets do have a resilience and absorptive capacity that have not yet been fully used. But even in the broadest markets for equities, or bonds, or real property, the impact of amounts as sizeable as those in OPEC hands—or even rumors of OPEC interest—can have disruptive effects on the orderly pricing procedures through which values are determined.

In OPEC eyes, it would already appear, there are at least three serious shortcomings ahead, as the scale of receipts continues at the late 1974 pace: (1) limited liquidity, if the movements of these funds are not to disrupt banking systems and money markets which the OPEC countries themselves also need; (2) risks of loss through wide fluctuations in exchange rates, unless the OPEC countries, at the expense of some loss in their own flexibility, act to help assure the exchange-rate stability of the currencies they need and use; and (3) the erosion brought about by inflation in the prices of assets which they purchase, or in the value of the money in which they receive the earnings of the investment they acquire—unless they find some hedge against inflation that is more reliable than merely limiting their future production or spacing out the sale of their oil at inflationary prices.

The oil-consuming countries face the other side of these three risks, for they depend upon the same international banking facilities and financial markets, and are equally buffeted by inflation. But the overriding concern for many is how, during the months ahead, to earn or borrow enough hard currency to pay for their minimum oil requirements. Import quotas, export subsidies, exchange-rate depreciation, IMF drawings, crisis borrowing, or a moratorium on external debts are all among the possibilities. For some further time these extremes may be averted by the organizing of ad hoc rescue parties, either by particular OPEC countries, or by some more developed countries, or both. But unless prospects are opened for the deficit countries to earn their own way out eventually, or at least to earn the servicing on whatever

debt can be obtained from somewhere, the further risk of debt repudiation and political overturn is grave.

Such, then, are the obvious shortcomings of the present institutional structure. Some of them, but by no means all of the critical ones, have been encompassed in the financial outline presented by Secretary Simon on November 18. His "financial safety net" approach for the guarantee of market borrowing, or for direct government loans, though extremely useful as a temporary expedient, should be designed to evolve into arrangements for sustained productive investment. The need of each oil-importing country over time is to develop a viable balance of payments, not to go on accepting improvised relief at the cost of future interest and amortization burdens. And there are, in any event, many unanswered and difficult questions of allocation, and of risk-sharing, in the Kissinger-Simon proposals which may take some time to sort out.

The next question concerns how a systematic overview of the interrelated problems of all oil-importing countries could be conducted. Since the problem on the surface concerns the approach of each individual country toward balance-of-payments equilibrium, one obvious candidate for the job is the International Monetary Fund. The hazard, for the OPEC countries which understandably feel underrepresented, and for many oil-importing countries which feel unappreciated, is that the IMF will be inclined to overdo its role. Instead of reporting on what is happening, the IMF will be tempted to tell countries on both sides what each country ought to do.

To get away from these difficulties, while at the same time taking advantage of the important resources of the IMF, a useful approach might well be to establish a special group, affiliated in some way with the IMF's "Interim Committee of Twenty," but structured to provide roughly equal representation of the OPEC countries, the oil-importing LDCs (less-developed countries) and the oil-importing industrialized countries. Such a group would be charged with monitoring the Fund's data gathering and alarm signaling efforts.

This group, or any other mutually agreeable arrangement that may be worked out for providing the continuous overview of payments patterns and strains, will presumably give close attention to the many roundabout ways in which deficit countries may, in the manner characteristic of a multilateral trading and pay-

ments system, gain a part of the OPEC reflow through sales or borrowing derived from OPEC purchases or investments elsewhere. But it will also have to be particularly alert to identify any sizeable gaps or lacunae which occur, or seem about to occur, after all practicable trade, investment and aid have been generated by existing markets and institutions, or by any new arrangements that may emerge either from the d'Estaing or Kissinger-Simon proposals of November. These gaps are likely to be of at least three kinds. It is surely not too early for a preliminary canvassing of views as to how each gap might possibly be filled.

VI

The first major gap, already all too evident, concerns the position of the less fortunate LDCs which lack oil or other natural resources and are thus by far the hardest hit of all consuming countries. For these countries, some needs will exist outside the usual bounds of lending by the World Bank or its affiliates, or by other regional development institutions. If their hopes for primary development are to survive the impact of increased oil prices, they will need funds to be committed on a long-term basis, with an indefinite postponement of servicing requirements and other highly concessional terms. Their ability ultimately to develop the current account surpluses that will be needed to service any loans depends, at least in part, on continuing modest inflows of oil, such oil derivatives as fertilizer, and other basic materials. Any aid they receive as loans must, consequently, be only slightly distinguishable from grants. No contributing country could expect more than nominal servicing, many years in the future, with the prospects for eventual repayment quite distant indeed—clearly not a “commercial proposition.”

To be sure, some bilateral assistance programs by individual OPEC countries, as well as the aid efforts of several industrialized countries, are already temporarily reaching some needs of this extreme kind. But there would seem to be great advantage—both in the screening of these unusual recipient requirements and in the administering of loan programs—in a pooling of capabilities and resources by the leading OPEC and industrialized countries. Any arrangement for such purposes, while falling outside the scope of present IMF or IBRD activities, would necessarily depend heavily on coordination with the staffs of

these organizations and of the United Nations Development Program. Whether any of the existing agencies should become more directly involved would also surely deserve consideration. In any case, whatever the arrangements, there would undoubtedly have to be special provision for representation more closely related to proportion of contribution. It might be expected that OPEC countries would contribute at least half of the comparatively modest sums that a supplemental emergency aid program of this kind would entail.

The gravity of the need in this area has already been recognized. The Witteveen facility of the IMF, thus far amounting to \$3.4 billion, is in part directed at this need, although it is also available to hard-pressed industrial countries. Moreover, a more detailed proposal has been made by His Majesty the Shah of Iran in which equal numbers of OPEC, industrial, and developing countries were invited to establish a fund for the provision of aid to the developing countries. The financial contributions, which were to be made in equal amounts by the OPEC and industrial members, were to provide an annual aggregate addition to aid availabilities of approximately the same amount as the Witteveen facility. Each partner, of all three groups, would be represented by a governor, and the governors would select several executive directors, purely on their professional merits, to manage the fund, using the staff services of the World Bank. One of the objectives of such an organization would be to supplement existing aid programs without introducing any political biases.

Secretaries Kissinger and Simon have now endorsed a "separate trust fund" directed to this problem, with national contributions especially from oil-producing countries. Although lacking in full details, this is an important step toward the necessary new arrangements to meet this gap.

VII

The second great gap, suggesting the need for new facilities, concerns the industrialized countries for which oil imports are essential in sustaining overall productive capacity, but which cannot be expected to enlarge production and exports fast enough to pay fully for minimally needed oil imports at the new prices over the five years immediately ahead. Debt obligations of the governments of these countries would represent no risk of moratorium or repudiation, provided that they could place their debt

with sufficiently long maturity to bridge a period of gradually enlarging export capabilities adapted to the changing markets of the world.

In such countries there are already substantial export earnings available to pay for imports, including a significant part of the oil imports; and there would undoubtedly be many individual firms capable of attracting outside financing in long term or equity form. But there would still be a missing critical margin which the various entities within the private sector could not be expected immediately to fill. Yet in the national interest there would be a justifiable public responsibility for filling that margin through government borrowing, in order to support the nation's overall economic performance. Instead of mere borrowing to pay for consumption, this would be borrowing to help maintain national viability, to obtain the added margin of oil needed for fuller use of a nation's potential. The results should appear, too, in balance-of-payments earnings on a scale sufficient to cover the servicing on such a debt of moderate maturity.

Virtually all of the industrialized countries, as well as most of those well along in the developing phase, could be expected to fall into this pattern of requirements at some time within the next five years. France, Italy, Japan and the United Kingdom, for example, have already arranged individually to borrow from OPEC and other countries, as well as from the commercial banking system. Some of these countries have also borrowed from international institutions. The United States, thus far apparently without governmental initiative, has already received several billion dollars as various OPEC countries purchased its government obligations in the public market. And indeed, OPEC purchases of government or other securities in the larger financial centers are likely to result, to some extent, in further passing along of loanable funds to still other oil-importing countries.

This is the process which the Kissinger-Simon \$25 billion proposal for a "system of mutual support" would seek to help along by setting up "a common loan and guarantee facility" for the industrialized countries. And the two suggestions made earlier this fall, Helmut Schmidt's proposal of a multi-billion dollar international investment bank and Denis Healey's proposal of a \$30 billion loan facility within the IMF, both address themselves to the same issue, from slightly different perspectives.

None of these proposals, however, engage the OPEC countries

in a responsible role, nor envisage that they would share in the risks which inevitably inhere in loans on such a vast scale to countries with widely varying economic prospects. A question well worth exploring, therefore, would be whether an additional facility, perhaps in the form of a mutual fund for OPEC investors, might add importantly to useful "recycling" machinery. An "OPEC Fund for Government Securities," attracting funds from any OPEC country wishing to utilize such a supplemental facility, might, for example, purchase only special direct issues of various governments. The terms of the instrument issued to OPEC investors in such a Fund would include orderly redemption features to prevent sudden withdrawal and resultant dislocation of the financial markets in the countries underwriting the issues.

The designing of such a Fund would have to recognize several limitations and several requirements. The terms of government issues offered to the Fund could not be so attractive as to compete unfairly with the variety of private activities, including the promotion of trade and the funding of loans or equity issues, that should be encouraged in order to evoke the maximum contribution by all other elements of each national economy, short of government financing. Nor should the availability of funds be such as to give undue preference to particular countries, or permit delays in needed domestic economic adjustment, or interfere with appropriate exchange rate changes.

Alongside limitations of this kind with respect to the borrowing countries, the OPEC countries would undoubtedly have several requirements. They will want a dominant voice in the administration of a Fund and may find difficulty in agreeing on the roles each of the OPEC countries should play. In order to minimize exposure to exchange rate variations among countries whose bonds are held, they may wish to have principal amounts, or interest payments, or both, indexed to some common market-basket of currencies such as the SDR, or possibly a basket of Middle Eastern currencies. They also presumably wish to hedge against inflation risks in the future by having some adjustment for sustained changes in the price levels of the world as a whole.

There will undoubtedly be other limitations and requirements—perhaps so many as to defeat a project of this kind. Yet even a sustained discussion of the various elements, and of their potentially conflicting interactions, could contribute importantly to-

ward a mutuality of understanding among OPEC and oil-importing countries, as they participate together in attempting to evolve workable arrangements.

VIII

The third sector of activity in which additional facilities—beyond those already proposed by various governments—might help would be that of assisting the direct flow of OPEC funds into the capital formation that the world so clearly needs, through guiding new investment into private enterprises or joint ventures. Here there might be scope for an investment trust, or a family of trusts, which would place funds principally in new or outstanding issues of equity or debt, by going concerns of established capacity anywhere in the world. As a supplement to the bewildering array of individual deals already in progress, investment trusts could provide a particularly effective outlet for investing the funds of national governments, whose officials might welcome an opportunity to share a part of their responsibility for appraisal of investments with trust managers of the highest competence and integrity.

Once organized and staffed by selected experts or firms with broad and tested investment experience, an "OPEC Mutual Investment Trust" could concentrate its purchases of equities, for example, on new issues authorized by the existing stockholders of incorporated companies in the oil-importing countries. The issuing corporations, by making a special offering of their stock, would be inviting OPEC participation in their shareholdings in a proportion judged appropriate by existing shareholders and management. The proceeds would clearly be available for needed capital formation, while also enlarging the equity base on which additional borrowing could be arranged in the future. Similarly, private placements of debentures could be made by the Investment Trust, although presumably there would be a preference for convertibles in order to share more fully in growing earnings, and in the implied partial hedge against inflation that equities offer over longer periods of time. Particularly at presently depressed levels of equity prices, there is an almost unprecedented opportunity for capital appreciation, as an offset to the erosion of inflation, through the purchase of shares in the leading concerns of Western Europe, North America, Japan, Australia, and others. Diversification among firms and industries and countries

should provide the greatest practicable assurance to the OPEC investors that their principal values can be maintained and earnings perpetually assured.

From the side of the oil-consuming countries, and the companies within them which might receive the OPEC trust investments, there is clearly an advantage in the trust form. It provides a buffer against the direct holding of voting stock by OPEC governments. The OPEC investors, in turn, can have the satisfaction of acquiring investments purely on their merit as sound earning assets, removing any possible implication of political motives or a desire to control the industry of another country. Moreover, the specialized management of these OPEC purchases and sales will shield the shares of companies in consumer countries from some of the sudden swings in price that could otherwise be set off accidentally by investors unable to devote full time to gauging factors affecting the timing and amount of transactions. A well-selected trust management should also assure OPEC investors the best possible combination of limited risk and moderate return available anywhere. The inescapable burden of owning capital is, of course, the taking of some risks—there is no “sure thing” for any investor, and no way of approximating risklessness for investors with funds as large as those of the OPEC countries—but diversification can balance risks and gains.

Purely as an indication of possibilities, a very tentative outline of some elements to be considered in designing a trust fund approach might be:

In the interests of the OPEC investors:

1. There might be several trusts for several different objectives, such as one for capital appreciation, another for income, and another a balanced fund; or there could be a separation as between real property and intangible property; or according to the country or group of countries in which investments are to be placed.
2. Depending on the nature of the assets, and the degree of liquidity required by provisions for redemptions, anticipated total return on average might range between six and eight percent.
3. As a guide to diversification, percentage limits within the total of a given trust fund might be set for holdings in a given country, or currency area, or individual company.

Companies might be rated, with minimum or maximum percentages for holdings of Class A, or AA, or AAA, for example; or limits could be placed on size of capitalization, say a \$10 million minimum.

4. Individual trusts could be open end or closed end, but presumably shares of the trusts would not be listed on any public exchanges as they could only be traded among the relatively small number of OPEC countries. Since OPEC countries may wish to repatriate holdings as added investment opportunities become available domestically, trust shares should be redeemable according to terms related to the kinds of assets held by a particular trust.
5. Risks of nationalization of assets held by the trusts would be minimized by virtue of the fact that there would be a majority of shareholders or bondholders or partners from the private sector in non-OPEC countries. However, some consumer countries might consider giving guarantees against nationalization, and many would probably permit exemption from domicile taxation on dividends transmitted to the trusts.
6. Exposure to changing rates of foreign exchange would be minimized both through diversification and through specific guidelines set for the trust management.
7. Establishment of the trusts can be handled by a management company in which the nominal stock ownership would be held by each interested OPEC country and, if desired, by the leading investment institutions in key countries which the participating OPEC governments choose to provide advisory services and to assist in selecting the full-time staff of the management company. The company and trusts could be organized under the laws of Switzerland, or the United States, or elsewhere as desired. The Board of Directors of an "OPEC Investment Trusts Management Company" would presumably consist of at least one member from each participating OPEC country, with additional directors added according to a formula related to size of participation. Advisory firms might also have seats on the Board, or alternatively on an Advisory Board, authorized to consult directly with and review the performance of the active management. The Board should have authority to establish additional trusts for specified purposes under the laws of any country

designated in the bylaws, and to change any operating guidelines by a two-thirds vote.

8. The initial size of a trust might be set at \$1 billion with share units of \$1 million each. As all expenses of the management company, including custody and transfer of securities, should be a first charge on earnings, there need be no "load" on the actual subscription to any trust.

In the interests of the oil-consuming countries:

1. No trust should hold shares in any company which would bring the known total holding of such shares by OPEC governments or their agencies above, say, ten percent of the total outstanding, unless specific approval is obtained both from the management of the company and the government in which its head office is located.
2. The trusts should undertake to buy or sell shares (or debentures) in amounts above, say, one million dollars (or the equivalent in other currencies) only with the knowledge of the company. In this way the company may have first refusal of an opportunity to offer stock (or debentures) directly at the going market price or, if it wishes, to buy back such instruments at the going market price. This would help protect the trusts against creating an undue movement of the market price against their interests, and would assist the company in maintaining an orderly market for its obligations.
3. The trusts should undertake to give prior notice to the affected central banks whenever they contemplate transfers into or out of a particular currency in amounts of, say, five million dollars or more (or whatever benchmark each central bank wishes to set). In this way, undue disturbances to exchange rates could be avoided, as desired by the affected central banks, to the advantage of everyone, including the OPEC investors.
4. The directors should agree that voting shares in companies will be exercised by the management with a view solely to protecting the value of the investment, in a manner comparable to the normal exercise of such rights by leading trust companies in behalf of their clients, and not for any other purpose.

Should any measure of interest emerge for a trust fund ap-

proach among the OPEC and consumer countries, a more fully articulated prospectus would, of course, have to be developed to test its feasibility. On the basis of limited preliminary inquiries in the investment banking community, it would appear that an aggregate magnitude of \$10 billion would not be out of the question in the first full year for trusts of this kind—at least in terms of the availability of acceptable investment outlets.

IX

The OPEC countries, whose principal product has been for so long underpriced and overused, must be able to convert their exhaustible oil into permanent capital and perpetual earnings, at home and abroad. They need, and undoubtedly want, both the enduring goodwill and the continuing economic prosperity of the oil-importing countries. They surely recognize their large stake in the economic prosperity of the world. They undoubtedly want capital markets of their own, and ready access to flourishing capital markets in other countries, to provide an assured base for the economic growth they rightly expect for their descendants.

The suggestions made here are meant only to illustrate the breadth and variety of the approaches and opportunities that should still be explored, before the world teeters any closer to the edge of an unnecessary stalemate—locked between rightful aspirations of the OPEC countries and limited capacity of the oil-importing countries to meet those aspirations rapidly. The urgent need is to begin a mutual exploratory process. Confrontation between oil-producing and oil-consuming countries has already produced a gulf of misunderstanding, both as to motives and as to potentialities, on both sides.

In the year that has been so largely lost, confusion and differences have multiplied while underlying economic tensions have, though subdued for a time, been inexorably moving toward crisis. There is barely enough time for a quiet sorting out of the interacting influences of trade, prices, aid, and investment. Informal exchanges, with the blessing and in time the participation of heads of states or governments, could still avert impending calamity during the remainder of this decade and begin construction of a viable system for the decades ahead.

A WORLD DEPRESSION?

By Harold van B. Cleveland and W. H. Bruce Brittain

IN the summer of 1929 a few prophets foresaw the coming stock market crash. Only one gifted with second sight could have foreseen the sequel—a world depression historians would single out by calling Great. In the United States at any rate, most of the business community continued to believe in permanent prosperity, until the bottom fell out. In contrast to this optimism on the brink of the abyss, the mood of business in the United States, Western Europe and Japan today is deeply pessimistic. The doomsayers among us see the current world economic slowdown not as an ordinary recession of the familiar postwar variety but as the onset of something closer to what happened in the early 1930s.

Can support for such fears be found in an analysis of the causes of depression and the present state of the world economy? Or are they mainly a psychological phenomenon—a manifestation, perhaps, of anxiety about the state of the world and of a certain loss of nerve?

To answer these questions it is well to combine historical and analytical approaches—focusing, in the former, on the causes of the Great Depression in order to shed light on whether any comparable contraction of economic activity is probable today; and, in the latter, examining the background and causes of the present recession in order to see how serious it is likely to be.

The Great Depression was caused by a prolonged contraction of the money supply in the principal industrial countries, which brought about a massive deflation of incomes and prices, not only in these countries but in the world at large. In the three-year period 1930–32, the combined money supply of the four largest countries—Britain, Germany, France and the United States—contracted by some 18 percent, and in the United States alone it fell by more than 26 percent. Since it would probably have required about a 10 percent increase in the money supply of these four countries in this period to maintain full employment, it is hardly surprising that the world fell into a deep depression.

This extraordinary monetary contraction was due partly to gross mismanagement on the part of the U.S. and French monetary authorities. In the main, however, it is attributable to the

fallibility of the monetary institutions of the day—in particular, the shortcomings of the U.S. Federal Reserve System and an international monetary system, the gold-exchange standard, that was highly efficient in transmitting monetary disturbances.

The current world recession is the aftermath of another traumatic monetary accident. In the three years 1970–72, the money supply in the ten largest industrial countries increased by 55 percent. The resulting price explosion, in conjunction with the return of more normal rates of money growth, has now plunged the world into recession.

Like the 1930s contraction, the 1970–72 monetary explosion originated in the United States and was transmitted to other countries via the balance of payments. It, too, should be attributed less to particular bad judgments than to the malfunction of institutions. The international monetary system of the period, the dollar standard, not only placed no effective check on monetary expansion in the United States, it also transmitted—and amplified—U.S. monetary expansion to the rest of the world, because foreign central banks were required under the rules of the system to support the dollar on the exchanges at its official exchange rate. This system's collapse early in 1973 has now allowed the authorities to slow money growth. Hence the recession.

But unlike the prolonged monetary contraction and depression of the early 1930s, which ran out of the authorities' control, the current recession will be short-lived. Inflation at anything like present rates cannot persist for long in a recession, nor can central banks keep their monetary policies tight for long now that unemployment is rising.

II

Like inflation, recession and depression, though they may be aggravated or mitigated by "real" (non-monetary) or psychological factors, are fundamentally monetary phenomena. In modern times, at least, there has been no major inflation or recession in any Western industrial country that was not initiated by a large imbalance between money supply and demand for money.

The supply of money is usually defined as total currency in circulation plus demand deposits (checking accounts) in commercial banks, known as "M1," although it is sometimes defined to include also time deposits, in which case it is known as "M2." The demand for money is the total amount of currency and de-

posits that the community feels it necessary to hold. This aggregate tends to grow regularly, because it depends chiefly on the normal or average rate of growth of people's incomes. Because the demand for money is fairly stable in the sense that it normally grows at a rather regular rate, an imbalance between the supply of and the demand for money usually arises from the side of supply. It is due to actions by the monetary authorities—or to monetary accidents—that speed up or slow down the rate at which the banking system is adding to the total money stock.

What happens when a monetary imbalance arises? Let us start from a position of monetary equilibrium, with the supply of money growing at the same rate as the demand for money, and the price level rising at a certain rate. In these circumstances, there is no monetary reason why the economy should not be operating at full employment. If the authorities now cause the money supply to grow more slowly, there will, for a time, be a deficiency of money relative to the demand for it. Households and firms will accordingly reduce their spending, as they attempt to build their real cash balances back up to the desired levels. As a result, incomes will grow more slowly or contract, business activity will decline and unemployment will rise. The economy will slide into recession.

Unless something happens to cause the money supply to keep on slowing down—which is what happened in the early 1930s—a recession is normally self-limiting and short-lived. The monetary disequilibrium which caused it sets in train a process of adjustment which tends to bring the demand for money back into balance with the reduced supply, and thus to bring the real economy back to full employment.

Rising unemployment of men and machines puts downward pressure on costs and prices and inflation gradually slows down. As inflation slows, given a constant growth in the money supply, the real value of cash balances begins to rise. This begins to correct the imbalance between the demand for real balances and the supply. As the imbalance is corrected, spending and business activity pick up again, and the economy returns to full employment.

In today's world, however, this process of adjustment is a long one because the response of prices to monetary restraint is slow. It seems to take from one to two years for a slowdown in money growth to have a major impact on the pace of inflation. Meanwhile, unemployment goes on rising. At some point in the evolu-

tion, the monetary authorities usually decide, for political reasons, to short-circuit the process by speeding up money growth, in order to accelerate recovery. In doing so, they interrupt the orderly slowing of inflation before it is fully accomplished, but they also ensure that the recession will be relatively brief. The low political tolerance for unemployment, coupled with the slow response of prices and costs to monetary restraint, are the chief reasons why recessions in the postwar period have been relatively mild—and why, too, this is an age of inflation, not deflation.

In principle, a central bank's control of the money supply derives from its ability to determine the volume of its own liabilities, which include the currency it issues and the deposits which commercial banks keep with the central bank as reserves. Together, these two monetary aggregates constitute the "monetary base" or "base money." The central bank creates or destroys base money whenever it expands or contracts its credit to banks or to the government—that is, whenever it adds to or reduces its portfolio of government securities and loans or discounts to commercial banks. The monetary base also expands or contracts when the central bank buys or sells gold or foreign currencies—to maintain the gold parity or the exchange rate of its currency.

The central bank has control of the rate at which it expands its *domestic* assets, so far at least as political pressures allow. But what happens to its *foreign* assets (gold and foreign currencies) depends on the country's overall balance of payments. This depends in turn not only on how fast the central bank expands its domestic assets but also on how rapidly other central banks are expanding or contracting their holdings of domestic assets. This is true, at any rate, as long as exchange rates are fixed, because in these circumstances, changes in any country's money supply will affect to some extent all countries' payments balances and monetary bases. Faster monetary expansion in the United States, for example, will cause funds to flow out (net) to other countries—i.e., there will be a deficit in the U.S. balance of payments—which means that foreign central banks' holdings of dollar assets rise, thereby increasing their monetary bases. Thus a central bank's monetary control is limited by the interconnections among national monetary systems, when exchange rates are fixed.

It is further limited because the relationship between the monetary base and the money supply—known as the money multiplier—may change. Normally, however, it does not. As

long as the proportions in which the public desires to hold currency and bank deposits do not change much, and as long as banks do not alter substantially the amount of reserves they hold relative to the volume of their deposits, the money multiplier will be stable. The money supply will then be determined simply by the monetary base.

III

We have gone into these rather technical aspects of the process of monetary control because they are essential to an understanding of how the monetary contraction in the early 1930s happened. Early in 1928 the Federal Reserve began to cut back domestic credit in an effort to damp stock market speculation, and this policy was intensified the following year. The U.S. monetary base stopped growing and, toward the end of 1929, began falling gradually and continued to do so for the following 12 months until it turned up again.

The decline of the U.S. monetary base in 1929-30 would doubtless have led to a severe business recession in the United States, but what made the recession deepen into depression was the protracted U.S. banking crisis. The Fed's pressure on bank reserves, along with the declining value of bank assets (due to falling prices and business failures) caused some banks to fail. As bank failures spread there was a stampede of deposit withdrawals, but the Federal Reserve Board and the Administration took no action, allowing hundreds of banks to go to the wall. The public's confidence in banks was undermined and there was a sharp increase in people's preference for holding currency as against bank deposits. This tended to reduce bank reserves. The banks themselves contributed to the problem by protecting their solvency and raising the ratio of their reserves to deposits. The ability of the banking system to create money in the form of deposits was sharply curtailed, and the money supply fell much more rapidly than the monetary base. It continued to fall in 1931 and 1932, long after the base had started to rise again.

The U.S. banking crisis could have been arrested in its early stages by a massive injection of reserves into the banking system through open market purchases of government securities by the Federal Reserve, along with some form of deposit insurance—such as now exists—to reassure the public about the safety of its deposits. But the majority of the Federal Reserve banks and the

Federal Reserve Board, the Hoover Administration and most financial leaders had no stomach for such intervention in a process which was accepted in the spirit of *laissez-faire* as natural—even as a beneficial cleansing of a banking system whose troubles were widely attributed not to general economic conditions but to excessive credit expansion and imprudent or incompetent management. Today, however, no central bank—least of all the Federal Reserve Board—is likely to be inhibited by such considerations from doing what is necessary to prevent a breakdown of its monetary control. The lessons of the U.S. banking crisis of 1930–33 are not likely to be forgotten.

IV

Monetary contraction in the United States in 1930–31 set off a chain of events on the other side of the Atlantic that culminated in a depression in Germany as deep as that in the United States, with political consequences far more destructive. From a monetary standpoint, Germany in 1930 was vulnerable. Reparations were a heavy burden on its balance of payments and the Reichsbank's foreign reserves were small. As the Federal Reserve tightened up and the U.S. money supply fell, Germany's balance of payments went into deficit and the Reichsbank's reserves of gold and foreign exchange declined. At the same time, the flow of U.S. capital to Germany fell off and ceased altogether in 1930–31. The German monetary base fell. And, because Germany was on the gold-exchange standard, with a minimum ratio fixed by law between the Reichsbank's foreign assets and the currency issue, the Reichsbank could not cushion the contraction of the monetary base, due to the loss of foreign assets, by expanding its domestic assets.

Then came the collapse of the Kreditanstalt, Austria's largest commercial bank, in May 1931, followed by the banking crisis in Germany. Money fled Germany as foreigners, fearing that their assets would be frozen or lost when German banks failed, or that the Reichsmark would be devalued, withdrew their funds. Both fears were amply justified. Having failed to obtain the large foreign credits needed to halt the crisis—mainly owing to obstruction from Paris and indifference in Washington—the German authorities were forced, in order to arrest the outflow of funds, to close the banks temporarily and negotiate standstill agreements with foreign creditors. The mark was also devalued

de facto by imposing exchange controls, and its convertibility into gold was effectively suspended.

Unlike their American counterparts, the German authorities did not allow the banking system nearly to collapse before intervening. Insolvent banks were propped up and the money multiplier in Germany does not appear to have fallen much. But the loss of the Reichsbank's foreign assets was so rapid and the resulting decline of Germany's monetary base so steep—during 1931 the base fell by 27 percent—that a severe depression was unavoidable. By April 1932, unemployment had reached six million, more than a quarter of the labor force, and the days of the Weimar Republic were numbered.

The German currency and banking crisis led to a speculative run on the British pound. For with the mark effectively devalued, the pound looked vulnerable—particularly so in view of Britain's large short-term indebtedness to foreigners and slim gold reserves. Sterling was further weakened by withdrawals of funds from London by continental banks and firms which needed liquidity, because their assets in Germany had been frozen under standstill agreements. Caught between the necessity to adopt restrictive monetary and fiscal measures if the pound's gold parity was to be saved and pressure from the Labour Party for a more expansive domestic policy to combat rising unemployment, on September 16, 1931, the British government suspended the gold convertibility of the pound and allowed it to float.

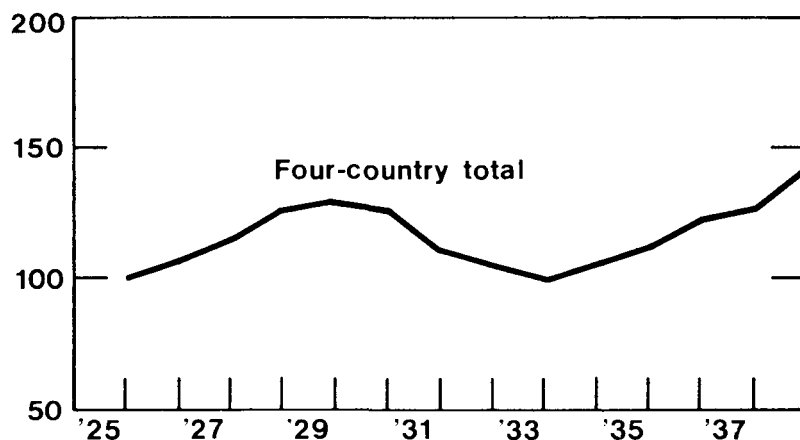
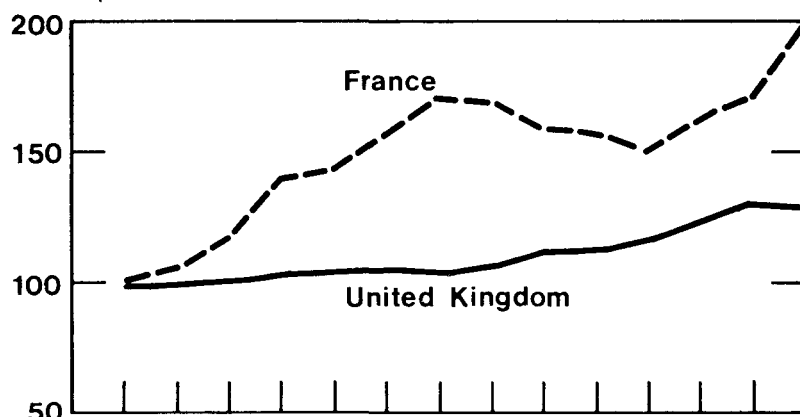
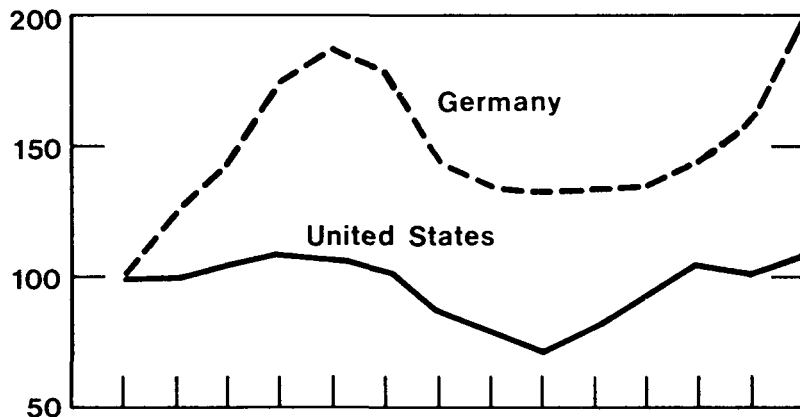
The German crisis and the pound's fall were blamed at the time on speculators. But the necessary condition for these events was the antecedent monetary contraction in the United States. Monetary contraction in the United States meant inevitably payments deficits for the rest of the world, and because the contraction was so rapid and prolonged, a gradual process of balance-of-payments adjustment, working mainly through changes in trade flows but leaving exchange parities intact, proved to be impossible. In the circumstances, currency speculation only speeded up a process that the extreme U.S. monetary contraction had already made inevitable.

Britain's prompt decision to float the pound saved that country from the depths of depression that the United States and Germany endured. No longer inhibited by fear of the impact on its gold reserve and on confidence in sterling's gold parity, the Bank of England was able to revalue Britain's gold stock and expand

How Money Supplies Behaved In The 1930s

1925=100

End of Year



Indices of M2 in local currency units, 1925=100; end of year levels. Individual series weighted by national income to form total index; no allowance for exchange rate changes.

its domestic credit, thereby enlarging the monetary base and the money supply. The British economy began to recover, more than a year ahead of Germany and the United States.

But the pound's quick fall transferred the speculative pressure to the dollar, whose gold parity now looked precarious. European funds poured out of New York, and in three months the United States lost more than 10 percent of its gold stock. The Federal Reserve's response was a further tightening of monetary policy, despite the deepening depression, and this along with the loss of gold put more downward pressure on the U.S. monetary base. In April 1933, the Roosevelt Administration let the dollar float, and then in March 1934 devalued it. These moves, along with measures to strengthen confidence in banks (including federal deposit insurance provided for by the Banking Act of 1933), marked a turning point in U.S. monetary policy. Gold flowed in; the gold stock was revalued, and the money supply began to grow again, setting the stage for economic recovery.

With the pound floating and the dollar devalued, it was the turn of France to suffer monetary contraction. France lost gold, the monetary base fell and the economy slid into depression. Monetary contraction continued and the French economy languished until the franc was finally forced off gold, in 1936, by the expansive domestic policies of Léon Blum's Popular Front government.

The story of monetary contraction in the early 1930s would not be complete without mention of French and U.S. gold-sterilization policies. Beginning in 1926 after Poincaré's stabilization of the franc, France adopted a monetary policy whose purpose and effect were to attract gold in large quantities from the rest of the world. The Bank of France held down domestic credit expansion, creating a relative deficiency of money in France, which led to a large overall balance-of-payments surplus and a big gold inflow. If this golden avalanche, as it has been called, had been allowed to exert its normal expansive effect on the French monetary base, the payments surplus and the gold inflow would probably have been short-lived. Instead, the French authorities used a part of the increase in France's gold holdings to increase the gold backing of the French currency, thus preventing the inflow from having its normal one-for-one expansive effect on the monetary base. The aim was to restore the franc's gold backing as nearly as possible to 100 percent, its pre-World

War I level. (Traditional French monetary doctrine holds that currency derives its fundamental value from its gold backing.)

This policy was not immediately harmful to France, whose monetary base and money supply continued to grow enough to sustain domestic employment, as long as the gold inflow continued. But the result was downward pressure on the gold reserves and the monetary base in Germany and other countries. The United States, too, played the gold-sterilization game in the period 1929–31, though for different reasons. By holding down its domestic assets, the Federal Reserve offset the effect of gold inflows on the U.S. monetary base.

Finally, the inadequacy of the world's monetary gold stock in this period contributed importantly to world deflation. At the official price of \$20.67 an ounce, the price of gold in the 1920s and early 1930s was too low in terms of national currencies—too low, that is, to attract newly mined gold into monetary reserves. Given that the principal currencies were all tied to gold at a fixed parity, the world's monetary base was thus linked to a static gold supply. The deflationary potential inherent in the failure of central banks' gold reserves to expand was held in check for a time by the practice followed by central banks in continental Europe and elsewhere of supplementing their gold reserves by holding sterling and dollar assets as foreign reserves which were convertible into gold at a fixed parity—the practice which gave the gold-exchange standard its name. But when sterling and then the dollar came under pressure in 1931, large quantities of these currencies were converted, by private holders and central banks, into gold. In fact, some time earlier, the Bank of France had begun to convert its own holdings of sterling into gold, following the 1926 stabilization, pursuant to its basic policy of restoring the prewar gold basis of the franc.

In 1928, holdings of sterling and dollar assets by central banks had constituted more than 40 percent of total central bank reserves. By the end of 1931, the sterling-dollar component of central bank reserves was reduced to an almost nominal level, mainly as a result of private and official conversions of these currencies into gold. Such conversions left the world's supply of monetary gold unchanged but they wiped out a large part of world reserves, destroying in the process a considerable part of the world's monetary base. Thus the deflationary potential inherent in gold's undervaluation became actual.

In these varied ways, the workings of an international monetary system based on fixed gold parities helped to spread the U.S. monetary contraction to other countries, and in the process to amplify its deflationary effects both at home and abroad.

Fortunately, domestic and international monetary institutions have changed greatly since the monetary contraction of 1929–33. Central banks are far more sensitive to political pressure and more aware of the monetary consequences of a loss of confidence in banks. They are more willing to act, separately or together, to prop up ailing banks. Internationally, the crucial difference lies in the absence of fixed exchange parities and the fact that no currency, not even the dollar, is any longer convertible into gold. Thus the world's monetary base is no longer tied to a gold base that may become inadequate. National monetary authorities are no longer under the compulsion of protecting the gold convertibility of their currencies by eschewing domestic credit expansion. The link between the balance of payments and the monetary base has become less direct and automatic. Countries that are willing to allow their exchange rates to depreciate can keep their money supplies growing by virtue of domestic credit expansion even though other countries are pursuing more restrictive monetary policies. And with exchange rates more flexible, bank liquidity in a country is less likely to be suddenly reduced by a massive withdrawal of foreign funds.

These differences between then and now are reassuring. But before we conclude that forecasts of another depression can safely be ignored, we must look directly at the present recession and its causes, in order to assess the likelihood that this could lead on to something worse.

V

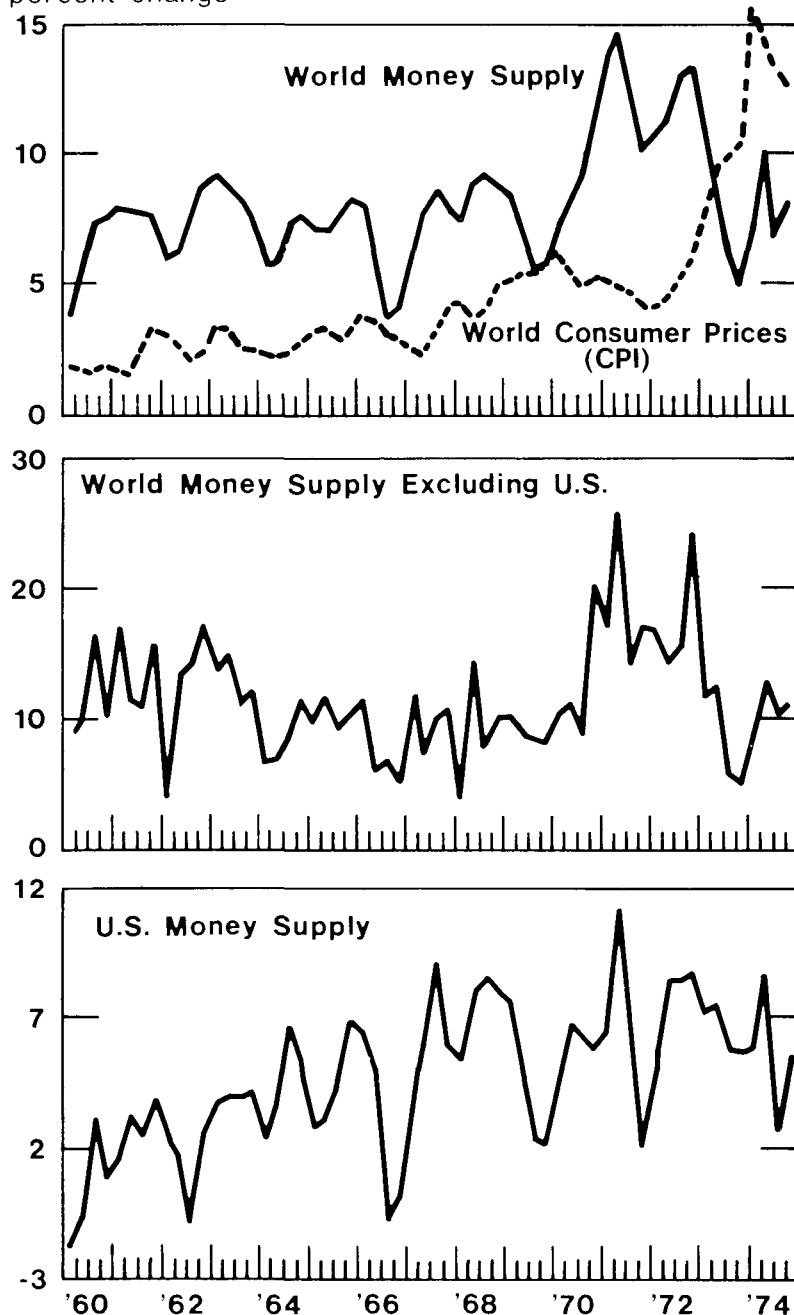
The current recession can be understood only against the background of the monetary binge that preceded it. In the 1960s, the money stock (M_1) of the ten principal industrial countries grew at an average annual rate of about seven percent. In 1971–72, money growth in these same countries suddenly accelerated to about 12 percent per annum, and then slowed precipitously again to average about 7 percent from mid-1973 through 1974.

In these bare statistics lie most of the explanation of the extraordinary inflation of 1973–74 and of the present world recession. Fueled by this massive injection of money, prices took

Money Supply & Prices in 10 Industrial Countries *

Seasonally Adjusted Annual Rates of Change

percent change



* Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Switzerland, U.K., U.S. Quarterly figures. Fourth quarter 1974 figures are projections.

off, and with a powerful assist from the increase in oil prices in the winter of 1973–74, inflation in the ten countries reached a peak 16 percent annual rate (on the basis of consumer prices) in the first quarter of 1974, from which it has now receded to around 12 percent in the fourth quarter. With world prices thus rising so much more rapidly than the money supply, a recession of some severity was inevitable.

The 1971–72 money explosion—like the monetary contraction of the early 1930s—was in large part due to an international monetary system based on fixed exchange rates. During the latter half of the 1960s that system had been under increasing strain. Ever since the Johnson Administration's decision in 1965 to escalate the war in Vietnam, U.S. monetary policy had become gradually more expansive. And, under the dollar standard as it existed until last year, there was little external constraint on U.S. monetary policy, since foreign central banks were obliged under the rules of the International Monetary Fund to buy any excess of dollars that emerged in their exchange markets at official rates of exchange. Leading European governments, France and Germany in particular, became increasingly restive about the inflationary consequences for their economies of growing U.S. balance-of-payments deficits—that were a direct consequence of accelerating money growth in the United States. Thus, the markets' belief in the immutability of the exchange rate between the dollar and other currencies—the belief that had been the linchpin of the postwar monetary system—was undermined.

In retrospect, it is clear that the 1968 gold crisis was the beginning of the end. Just as in 1931, the devaluation of the pound (in November 1967) was followed by a speculative run out of dollars and into other currencies and gold. To end the crisis, central banks had to terminate de facto the convertibility of dollars into gold, thus weakening still further confidence in the dollar's immutability. The system enjoyed a brief respite in 1969–70, as U.S. monetary policy was tightened. But when the Federal Reserve again opened up the money tap wide early in 1971, the system began to crumble. The U.S. payments deficit widened dramatically and was aggravated by a massive speculative run out of the dollar and into European currencies and the yen. The flows continued until February 1973, when the European and Japanese central banks finally gave up the unequal struggle with the exchange markets and abandoned any attempt to maintain

fixed parities for their currencies vis-à-vis the dollar. The enormous flows across the exchanges pumped up the European and Japanese monetary bases rapidly. In the period January 1, 1971 to March 1, 1973, Europe's and Japan's foreign reserves increased by some \$47 billion and their money supplies rose by more than two-thirds.

As in the 1930s, the breakdown of fixed exchange rates is popularly blamed on speculation. But, again, the necessary condition was what happened to the monetary aggregates in the largest economy, that of the United States. Without the increasingly expansive trend of U.S. monetary policy from 1965 on, the fixed-rate system could have survived—for a while longer at least—and in any event the world would have been spared the price explosion of 1973-74.

On top of all this came the Arab oil embargo and the decision of the Organization of Petroleum Exporting Countries (OPEC) to quadruple the price of oil. Coming at a moment when inflation in the ten leading industrial countries was already running around 12 percent per annum, the oil-price hike and its side effects on other prices, while not inflationary in a monetary sense, added another three to four percent on an annual basis to the general indices of world prices in the first quarter of 1974, and a diminishing increment on through 1974. The oil embargo and the rise in oil prices not only caused a sharp rise in the prices of fuels and of goods and services that incorporate petroleum, such as petrochemicals and transportation. It also helped to set off a sympathetic wave of speculation in other commodity markets. Firms in the United States, Europe, Japan and in many other parts of the world, fearing acute shortages and seeing commodity prices begin to accelerate, built up their materials inventories rapidly, putting further strong upward pressure on commodity prices generally. If there had been no oil crisis, inflation would probably have begun to cool off early in 1974, because world money growth had already been slowing down for about a year.

The decision of Europe and Japan to float their currencies against the dollar in February 1973 marked the end of the expansionary phase of world money growth and the beginning of the monetary slowdown that led to the current recession. Having again regained control of domestic monetary conditions by allowing their currencies to float, Germany, Britain and Japan took advantage of their new-found monetary autonomy to come to

grips with inflation and adopted severely restrictive monetary policies. In all three countries the turn to restraint was abrupt. Money growth rates fell off from 10–15 percent in Germany, 15–20 percent in Britain and 25–35 percent in Japan in 1971–72, and to much lower rates in 1973. Meanwhile in the United States, the Federal Reserve was also moving toward restraint.

The price of this policy is a recession severe by postwar standards. Yet the world's monetary authorities could hardly have done anything else but call a halt to extreme monetary expansion. To have continued to expand money at anything like the 1971–72 pace would have been to accept an average rate of inflation in the industrial countries in the 10–11 percent range for the indefinite future.

VI

Looking ahead, the key questions are what is likely to happen to world inflation and to world money. If inflation slows sharply in the months ahead and money growth accelerates, business activity will begin to increase again sometime in 1975. But if inflation slows only a little and the monetary authorities press hard on the brakes, the recession will be longer and deeper.

As to money, there are already clues as to what is likely. The pace of money growth has turned up, particularly in Germany, Britain and Japan. In the German government, stimulating recovery now has a clear priority over fighting inflation, and the central bank seems to be going along. In Britain, too, a similar policy shift is in the making; and the Federal Reserve seems now to be taking effective measures to accelerate U.S. money growth from its dangerously low rate this summer. Money expansion in the ten principal industrial countries is likely to accelerate from about eight percent in 1974 to ten percent in 1975.

On this assumption, the combined gross national products, expressed in nominal terms (money values), of the ten countries would rise by approximately 12–13 percent in 1975. This forecast is based on statistical relationships between money and nominal GNP for this group of countries derived from past experience. The difference of two to three percent between the assumed expansion of the money stock and the projected growth of nominal GNP is accounted for by a projected increase in the rate of turnover (“velocity”) of circulation of money in these ten countries, in accordance with an established trend.

The projected 12–13 percent growth of nominal GNP in 1975 in the ten countries is no greater than the 13 percent likely to be realized in 1974, which may seem odd in view of the acceleration in money growth we have assumed. The explanation lies in the extraordinary rise in the velocity of circulation of money in 1974 associated with the sudden rise in the price of oil and speculation in commodities. Since a repetition of this phenomenon is not likely, it will require more monetary expansion in 1975 to yield a somewhat smaller increase in nominal GNP than in 1974, even after allowing for the underlying upward trend in velocity.

What will happen to inflation next year is more difficult to foretell, but two factors are working together to diminish it. The more important is the slowdown in world money growth, which began nearly two years ago. This should mean a marked reduction in inflation in 1975. The less important is the non-recurring nature of the oil-price hike and its effects on other prices. These effects have now probably been exhausted; indeed, we are now witnessing a substantial decline in many commodity prices. For both these reasons, the feverish pace of inflation, which saw the world price level, measured by consumer prices in the ten industrial countries, rise by some 14 percent in 1974, seems likely to cool off to not more than 10–11 percent for 1975 as a whole—and substantially lower than that toward the end of the year.

Putting the nominal GNP and price projections together yields, by simple arithmetic, the conclusion that real gross national product (total output expressed in real or physical terms) in the ten countries in 1975 will be up one to three percent as compared with 1974, with output accelerating toward the end of the year as the pace of inflation slows. This forecast means that unemployment in most of the industrial countries—including the United States—will continue to rise right through 1975. 1975, in other words, will be much like 1974 so far as the average level of business activity and output in the principal countries as a group is concerned, but it will be quite different—and considerably better—so far as the trend of inflation and the condition of financial markets are concerned. By the end of the year, recovery should be underway in nearly all the industrial countries, and inflation clearly on the downgrade. The 1974–75 slump will go down in economic history as the worst of the post-World War II recessions—but not as a depression.

Another cut in oil supply from the Middle East could if suffi-

ciently large cause a temporary fall in world output and employment, but a decline in economic activity due to a shortfall in energy supplies would not be a depression in the usual sense of a serious decline in activity caused by a shortfall in demand.

VII

Those who see depression coming may not be persuaded by the foregoing analysis, based as it is on history and on past relationships among money, nominal GNP and prices. In their view, novel elements in the world economic situation, especially the problem of recycling "petrodollars," create a new situation that contains the threat of a world depression.

The oil-producing countries are able to spend only a fraction of their vastly increased oil revenues. Those that cannot be spent are invested in the United States and other industrial countries, and it is feared that this could depress world demand because the surplus revenues are being saved rather than immediately spent for goods and services, but the monies so invested are not thereby withdrawn from the world's money supply and somehow sterilized. They are not bank notes buried under the sands of Araby. They remain in the industrial countries' banking systems, available for on-lending by banks and other private financial institutions.

A recycling problem arises only when countries that wish to take out such loans are unable to meet the credit standards that private lenders insist on. And this situation is likely to arise only when the borrowing country has a serious overall deficit in its balance of payments, independent of oil.

Stripped of complexities and of the mystique that has grown up around it, the petrodollar recycling problem boils down to the difficulty which several countries have in financing large overall balance-of-payments deficits, due in part to the high price of imported oil, through private money and capital markets. The issue here is not whether a country has a *trade* deficit; nearly all countries now have trade deficits as a result of high oil prices, including the United States, which has no recycling problem. The issue, rather, is whether or not the trade deficit causes the country's *overall* balance of payments to register a deficit, because capital inflows through regular channels, including investment of surplus oil revenues, are insufficient to offset the trade deficit.

Among the industrial countries only Italy and Japan (though

in quite different degree) now have a serious payments problem, but the problem cannot simply be attributed to the high cost of imported oil. As we have observed in other connections, an advanced industrial country has a serious overall payments deficit only when its central bank is creating base money a lot faster (relative to the demand for money) than other leading central banks. Indeed, both the Bank of Italy and the Bank of Japan have been creating base money much more rapidly this year than central banks in the United States and other large industrial countries. In consequence, these two countries have large overall payments deficits—which they would have even if the price of oil were lower—because their monetary policies have been out of step with the rest of the world.

It follows that Italy's and Japan's recycling problem will ease as these two countries take steps to slow the expansion of central bank credit, and as monetary policies in other countries are relaxed. Meanwhile, they need financing outside normal private channels, such as the recent \$1 billion loan by Saudi Arabia to Japan and, in Italy's case, the credits from the German government, the European Community, and the International Monetary Fund's oil facility. Developing countries' balance-of-payments problems are more difficult to manage but fortunately, they are on a smaller financial scale. For a number of these countries, special assistance through official channels, bilateral and multilateral, is essential—and now seems likely to be forthcoming.

There is fear, too, that balance-of-payments deficits associated with high oil prices may lead a number of countries to adopt severely restrictive fiscal and monetary policies, trade restrictions and competitive exchange-rate policies, and in this way lead the world into depression. Perhaps it was a scenario of this kind that Secretary of State Henry A. Kissinger had in mind when he warned the U.N. General Assembly on September 23, 1974, that "Strains on the fabric and institutions of the world economy threaten to engulf us all in a general depression."

Yet if major international payments problems are due primarily to sharp differences among countries in monetary policy, the probability of this grim scenario is not high. Once monetary conditions in the United States and Western Europe ease again—as is now beginning to happen—balance-of-payments problems will become less acute. Present fears of a breakdown of international economic order, leading to depression, should then recede

again. Such, at any rate, is the hopeful thesis of this essay.

There are many legitimate sources of anxiety in the world economic scene, but the question at issue is whether they include a depression. Psychiatry uses the term "free-floating anxiety" to mean an anxious state of mind induced by causes below the level of consciousness, which the patient is wont to attach, arbitrarily, to some familiar object of fear. So, the prophets of world depression may have conjured up a familiar danger in order to explain a deep-seated anxiety about the world's economic future which, in fact, derives from other sources.

RESTRUCTURING THE WORLD ECONOMY

*By Hollis B. Chenery**

THE world economy is currently in a state of disequilibrium of a magnitude not seen since the aftermath of World War II. The symptoms of underlying stress have been manifested over the past two years in the form of raw-material shortages, a food and fertilizer crisis, a dramatic rise in petroleum prices, and finally, worldwide inflation and threats of impending financial disaster.

The immediate cause of most of these problems was the rapid growth of almost all parts of the world economy in the previous decade, culminating in a strong cyclical upswing in the industrial countries. In 1972-73 the economies of the advanced countries as a group were growing at an unsustainable rate of over six percent, pushing against existing productive capacity and outstripping the potential rate of expansion of world supplies of many raw materials. This spurt in demand provided the opportunity for primary producers in both developed and developing countries to raise their prices, with or without collusive action among producers.

Some of the symptoms of commodity shortages and high prices are purely cyclical and are already disappearing as a result of the current stagnation in world incomes. Others, however, reflect long-term shifts in demand and supply that were merely accelerated by the recent period of rapid growth. This is notably true of the supply of energy and foodstuffs, where the evidence of shifts in the balance of supply and demand was apparent before these markets were disrupted by booming demand, crop failures, and the behavior of the Organization of the Petroleum Exporting Countries (OPEC). Before the world economy can return to a condition of orderly development, substantial redirection of investment and production in these and related sectors is imperative.

While the present dimensions of the oil, food, raw materials

* I am indebted for advice and comment to Bela Balassa, John Foster, Robert McNamara, Joseph Pechman, Jo Saxe, Ernest Stern, Wouter Tims and Elinor Yudin. However, neither they nor the World Bank with which I am associated bear any responsibility for the opinions expressed.

and balance-of-payments problems are by now well-known,¹ international attention has centered on their immediate impacts on different groups of countries and on the interim measures needed to offset them. There has been little analysis of the adjustment mechanisms that are available to restore the world economy to a condition of orderly development. Yet, since all of these problems are connected through the international system of trade and capital movements, to prescribe separate cures for each of them is hardly desirable. And for poor countries that are importers of both oil and food, the problems must be considered together because their combined impact threatens to be disastrous.

In trying to provide a longer term perspective on the present disequilibrium in the world economy and to outline adjustment processes through which equilibrium can be restored, my analysis is couched in terms of the economic and political relations among three groups of countries: the older industrialized countries, which are members of the Organization for Economic Cooperation and Development (OECD), the newly rich but still developing oil producers (OPEC), and the other developing countries (LDCs). Only passing attention is given to the fourth major group—the Socialist countries—which has a limited impact on the problems considered here.

II

To define the dimensions of the structural changes that are needed in the world economy, we must first separate out the cyclical effects of the recent boom that are likely to be corrected by market forces over the next several years. The coincidence of shortages and price rises for most commodities during 1972–73 has left the impression of a general “commodity problem” and led to a number of false analogies between petroleum and other commodities. Price reductions since the ending of the boom nearly a year ago confirm the diagnosis that most of these were cyclical phenomena: hence, we can now identify more clearly areas in which longer term adjustments are needed.

The interpretation of movements in international prices is also complicated by the persistence of inflation on a worldwide basis. While the sharp rise in commodity prices in 1972–73 was a sig-

¹ See, for example, in *Foreign Affairs*: Gerald A. Pollack, “The Economic Consequences of the Energy Crisis,” Lyle P. Schertz, “World Food: Prices and the Poor,” Bension Varon and Kenji Takeuchi, “Developing Countries and Non-Fuel Minerals,” April 1974; Walter J. Levy, “World Cooperation or International Chaos,” July 1974.

nificant factor in causing inflation to accelerate, this is no longer the case; the overall effect of trends in commodity prices—including oil—is now deflationary.

The fact is that the commodity boom itself varied greatly among different types of commodities. A good way to measure its scale is in terms of the ratio of prices of primary commodities to those of manufactured goods for a recent period of stable prices, e.g., 1968 to 1970. Compared with this benchmark level, at the peak of the boom in early 1974 basic foodstuffs were up by 100 percent, fertilizer by 170 percent, and petroleum by more than 350 percent; however, other primary commodities averaged only 25 percent higher. With several important exceptions, relative prices of most commodities have already started to fall, and supply and demand conditions are such that a return to the earlier levels of relative prices is likely to take place within the next year or two.

Now that the normal cyclical adjustment is under way, there are only a few commodities whose high prices (or short supplies) are likely to have an important continuing effect on the economic welfare of large numbers of people. These are primarily petroleum, some of the major foodstuffs (grains, oilseeds, beef, sugar), and fertilizer. While there is some dispute as to the ability of producers of other minerals to follow the OPEC example and keep prices higher by restricting production,² the value of exports of the leading candidates (bauxite, tin, copper) is relatively small, and the range of possible prices is so limited that successful action would not disrupt world trade and development. In short, the world commodity problem focuses on petroleum and foodstuffs—primarily grains—and the fertilizer needed to produce the latter.

Although recent events have shown that relatively small changes in the supplies of petroleum and foodstuffs can have a very disruptive effect on world trade and development, in most other respects these two commodities are very different. Petroleum has a dominant impact on world trade because it supplies nearly half of world energy consumption, and resources are concentrated in a small number of countries. Consequently, two-thirds of all petroleum produced moves in international trade. The present and prospective value of petroleum exports (even if present prices were somewhat reduced) roughly equals the value

² See Varon and Takeuchi, *op. cit.*

of all other mineral and agricultural exports combined. For this reason the position of the petroleum exporters is unique; it is hard to conceive of any combination of producer cartels that would have as much effect on world trade in the next few years as an increase of even one dollar in the price of oil.

As is now well-known, the actions of the OPEC countries in late 1973 raised the average price of oil in the Persian Gulf from about \$2.40 per barrel in the early part of 1973 to about \$9.60 per barrel in 1974. (This and all subsequent figures in this article are in 1974 dollars except as specifically noted.) The short-run effect has been to increase the value of OPEC exports in 1974 by over \$80 billion, about 10 percent of the value of world exports in that year. Only a fraction of this increase has so far been absorbed by increased OPEC imports, and the resulting surplus of some \$60 billion is a measure of the present disequilibrium in world trade.

At first glance the effects of rising food and fertilizer prices on the world economy appear to be of quite a different order of magnitude from the oil impact. Even though the total value of grain produced in the world is considerably greater than that of petroleum, most countries are relatively self-sufficient in grain, and only marginal quantities are traded. While the position of the United States and Canada as grain exporters is as dominant as that of the Persian Gulf countries in oil, the total value of world grain exports is only one-fourth that of petroleum.

Yet the disruptive effect of the rise in food and fertilizer prices on world development is much greater than this comparison would suggest. As in the case of petroleum, the developing countries had come to depend on cheap grain imports to supplement their own production, and implicitly on grain stocks in the exporting countries. With hindsight it is now clear that they overestimated the increased productivity stemming from the "green revolution," relied too heavily on continued availability of cheap imports, and devoted insufficient resources to agricultural development. Although the shortfall in LDC production of foodstuffs in the past several years has been relatively small, the rise in import requirements combined with large price rises have had as damaging an effect on the growth prospects of many developing countries as have rising oil prices. The current shortage of fertilizer, while primarily a cyclical phenomenon of lagging capacity, seriously limits the speed with which devel-

oping countries can increase agricultural output unless they are given some priority in competing for available supplies.

Although the longer term solutions to the oil and food problems will be very different, in the short run they have a similar effect on the prospects for the developing countries. Increased petroleum prices have added \$10 billion to the import bill of the LDCs while the increases in prices of food and fertilizer have added another \$6 billion. For the poorest people in these countries the impact of high food prices and shortages is much more serious, since most of their income is spent on food. Even allowing for gains from other commodity exports, such increases in import costs have reduced the external purchasing power of the developing countries by approximately the amount of the total foreign assistance that they receive. The number of countries seriously affected is also likely to increase over the next several years, since the prices of other primary exports are likely to fall more than those of petroleum and foodstuffs. This impact affects disproportionately the poorest countries of South Asia and Africa, which contain about half the population of the Third World.

III

The nature of the present world economic crisis has been aptly characterized by Helmut Schmidt as "The Struggle for the World Product."³ When viewed in these terms, the rise in oil prices is only the most dramatic of a series of events—some deliberate and some resulting from market forces—that have been operating to change the distribution of world income through the system of international trade and capital flows.

Although the changes in relative prices described above will have a substantial effect on the distribution of the world's income and wealth, their direct impact can easily be exaggerated. To measure this, assume that the OECD countries and the non-OPEC members of the Third World had been able to pay for the increase in the cost of imported oil by shifting \$80 billion worth of commodities per year from domestic use to increased exports to OPEC. The result of this one-time cost increase would have been to reduce total national income in the OECD countries by two percent and in the non-OPEC Third World by three percent, while nearly doubling the total income of the OPEC

³ See *Foreign Affairs*, April 1974.

countries. Although these are large amounts, the direct losses would amount to giving up six months' worth of growth—with the lively hope of then resuming the pattern of four to six percent average growth thereafter.

In reality the threat to the world economy from the rise in oil prices comes not so much from the need to transfer two percent of world income to the oil-exporting countries as from the uncertainties that are inherent in the policies adopted to effect this transfer. If there were in fact a market for their exports, the oil importers—both developed and underdeveloped—could achieve the required 11 percent increase in export quantities over a period of three or four years without much strain on their economies, which are already developing excess capacity as a result of the current recession. However, it will take the several OPEC countries from 5 to 20 years to develop their economies sufficiently to absorb their increased foreign-exchange earnings in the form of imports. In the meantime, if they export oil at the levels and prices now predicted, they will have to accumulate large surpluses in the form of loans or direct investments in the importing countries. For their part, the principal customers, the OECD countries, will have to accept the corresponding deficits in their balance of payments and arrange to reallocate (or compensate for) the flow of OPEC funds through the process now known as "recycling."

To put the point differently, the major consequences of the change in OPEC price policy stem more from its suddenness than from its magnitude. If the price of oil had reached its present level by a three percent annual increase in its relative price over the past 25 years, the adjustments needed to accommodate this increase would have had little effect on world growth and indeed some benefit in directing behavior patterns and technological efforts toward more efficient use of energy. Instead, the progressive cheapening of oil for 20 years led to its wasteful use—particularly in the United States—and postponed the development of other energy sources. We are now faced with accelerated changes in consumption patterns and large investments for the development of non-OPEC sources of supply, in addition to financing the cost of the imports that will still be required. And the danger is that in adjusting to these changes the OECD countries may adopt policies that will operate to freeze or reduce their growth so that it does not move back soon to the past pattern of

four to six percent growth.

While the food aspect of the world restructuring problem does not loom so large as the oil aspect in global terms, it raises issues that are just as acute for the LDC countries involved. On optimistic assumptions, it will take at least five years to make up for the lags in fertilizer capacity and in agricultural investment in the developing countries so as to balance supply and demand, restore stocks, and bring food prices down to more normal levels. In the meantime, some restraint will be needed in the high-income countries of the OECD to avoid bidding away the limited supplies of foodstuffs and fertilizer from the poorest countries, whose consumption cannot be compressed further.⁴

For the past year we have watched these adjustment processes begin to unfold with relatively little assistance from governments. Under the circumstances the international banking system has functioned with considerable efficiency to initiate the recycling process. However, existing financial arrangements will soon prove quite inadequate to the magnitude of the problem, particularly for the weaker economies. The laissez-faire approach has already had very harsh consequences for the distribution of food and fertilizer, where the lack of foreign exchange to pay prices that have been bid up by the richer countries has brought several of the weakest economies to the brink of disaster.

There are two great dangers in the present situation, the first involving the relations between the OECD and OPEC countries, and the second involving their common relationship to the LDCs. At present individual OECD nations are acting on their own to protect their balance of payments in ways that are inimical to their collective interest in increasing their trade and their GNP. Moreover, given their uncertainty as to future OPEC oil price policies, OECD governments are also taking steps both to limit oil imports and to invest in high-cost substitute energy sources to an excessive extent that affects their future growth. Thus, the continuation of uncoordinated responses to the oil problem will almost certainly result in a lower rate of OECD growth and make the transition much more costly in the end.

Such an outcome is clearly not in the interests of the OPEC

⁴ More complete statements of the nature of these transitional problems and the changes in agricultural production that are needed are given in the United Nations World Food Conference, *Assessment of the World Food Situation*. See also, Lyle P. Schertz, "World Food: Prices and the Poor," *op. cit.*; and Lester Brown, *By Bread Alone*, New York: Praeger, 1974.

countries, whose oil markets and investment returns would suffer in the process. However, it can only be avoided if both the OPEC and OECD countries achieve a better understanding and acceptance of less disruptive adjustment processes.

Secondly, the future of the LDCs—and particularly the poorest among them—depends on the ability of the OPEC and OECD countries to work out some agreed basis for financing the 100-percent increase in LDC balance-of-payments deficits that has resulted from the higher prices of oil and food. Although the problem of the most seriously affected is only five percent of a \$60 billion global disequilibrium, existing mechanisms for balance-of-payments adjustment and capital transfers are clearly unable to cope with it.

Moreover, there is a direct connection between these two dangers. It seems most unlikely that the more fortunate countries of the OECD and OPEC groups will do a great deal about the poorest nations until they reach some understanding on the evolving patterns of trade and capital movements among themselves. So long as the present atmosphere of mutual recrimination continues among the more affluent, the poorest countries will remain their unwilling hostages.

IV

To analyze the possible adjustments to the oil problem more concretely, let us first examine the varying positions of the principal oil exporters. The members of OPEC are all developing countries for whom petroleum is the principal source of foreign exchange and the key to their further development. They differ greatly, however, in their current needs for imports and in the volume of their oil reserves in relation to present levels of production. Assuming that OPEC will continue to set prices cooperatively, countries in different resource positions will have different views as to the best price and output policy for the group.

To indicate the effects of differences in resource positions on the production and price policies that might be followed, the 11 principal oil exporters are grouped in Table I below into three categories having the following characteristics:

—*Group I* (Saudi Arabia, Kuwait, Libya, Abu Dhabi, Qatar) has 65 percent of proven reserves and 48 percent of current output, but only 12 million population and limited levels of absorption for economic development. The five countries in this group

must take a long-term view of petroleum policy; their reserves have a potential life of 50 years or more, and they have few other natural resources.

—*Group II* contains four countries (Venezuela, Iran, Algeria, Iraq) that have already achieved considerable economic development and are depleting their petroleum reserves at higher rates

TABLE I
OPEC COUNTRIES: 1973 OIL PRODUCTION AND RESERVES*

	<i>Population (millions)</i>	<i>Proven Reserves (billion tons)</i>	<i>Output (million barrels per day)</i>	<i>Reserves Years of (at 1973 output rate)</i>
Group I				
Saudi Arabia	8.1	19.3	7.5	51
Libya	2.1	3.4	2.1	32
Kuwait	.9	10.1	3.0	66
Qatar	.2	.9	.5	31
Abu Dhabi	.1	2.9	1.2	45
Subtotal	11.5	36.4	14.3	50
Share of OPEC		65%	48%	
Group II				
Iran	31.9	8.2	5.9	28
Venezuela	11.3	2.0	3.5	11
Iraq	10.4	4.3	2.0	44
Algeria	14.7	1.0	1.0	20
Subtotal	68.3	15.5	12.4	25
Share of OPEC		28%	41%	
Group III				
Nigeria	73.4	2.7	2.0	27
Indonesia	125.0	1.4	1.3	22
Subtotal	198.4	4.2	3.3	25
Share of OPEC		7%	11%	
TOTAL	278.2	56.1	30.2	

* Sources: *Oil and Gas Journal* (Reserves), World Bank

than Group I. They contain 70 million inhabitants and are in a position to make effective use of most of their increased oil revenues for internal development within the next decade, although they will accumulate substantial surpluses for the next several years. This group is more likely to try to secure maximum revenues in the short run because of the greater opportunities for productive investments within their own economies.

—*Group III* consists of two large countries (Indonesia and Nigeria) that have only a limited share of OPEC resources and

little problem of absorbing all their oil revenues in the near future. They will not accumulate significant financial surpluses.

While maintaining or even increasing the 1974 Persian Gulf price level of approximately \$9.60 per barrel (in 1974 prices) might seem to be in the interest of countries in the second and third groups, this price is well above the long-term costs of major alternative energy sources. Accordingly, such a policy could be expected to induce a maximum effort by the OECD countries to cut back on consumption and to develop alternative energy sources (such as North Sea and Alaskan oil, coal, oil shale, tar sands, and of course nuclear energy). Studies by the OECD, the Federal Energy Administration and the World Bank suggest that such a maximum effort, although involving a considerable amount of investment that would be uneconomical at somewhat lower prices, could have the effect of leveling off the demand of the OECD countries for OPEC oil.⁵ By 1980 OECD imports from OPEC would be no greater than at present and would be likely to decline thereafter.

However, if the Persian Gulf price were reduced to \$7 or \$8 per barrel (in 1974 prices), with some assurance that supplies would be forthcoming at this level, the OECD countries would probably forgo the uneconomical forms of investment in higher cost energy sources and would be less likely to limit growth of consumption. Thus, OPEC exports of oil to the OECD countries would continue to rise in 1980 and beyond. The total revenues available to OPEC for the next decade would probably be as great as through maintaining higher prices, and total OPEC production in 1980 and 1985 would correspond roughly to the productive capacity now planned by the OPEC countries.

In this situation the OPEC countries are faced with the classical monopolist's dilemma of trying to estimate the speed with which alternative supplies will be developed and whether the gains of maximizing short-run profits will exceed the losses from lower volumes (and perhaps lower prices) in the future. Unless a high discount is applied to the future, the OPEC countries—and particularly the Group I countries with large reserves—would benefit in the long run from reducing the price of oil to the cost of major alternative sources in order to maintain their share of future market growth.

⁵ OECD, *Long Term Energy Assessment* (forthcoming); Federal Energy Administration, *Project Independence Report*, November 1974.

This conclusion is illustrated in more concrete terms in Table II below. Case I assumes that the price is maintained at \$9.60 (in 1974 dollars) by upward adjustments to offset inflation. Case II assumes that the price declines gradually by some 30 percent to \$7.00 (again in 1974 dollars). In both cases, it is assumed that total energy demand in OECD countries would continue to grow, but at a rate of only 3.8 percent in Case I as compared to 4.3 percent in Case II (both, of course, reduced from the recent 5 percent rate for OECD as a whole). As to investment in alternative sources, the underlying assumptions are conservative, not assuming development of domestic or other energy sources that will cost more than imports.

Even so, the table indicates that after 1985 total OPEC revenues would be considerably greater under Case II. Moreover, if the higher prices assumed in Case I should lead to even stronger OECD efforts to reduce imports—as seems quite likely—the lower price policy might well be more profitable to OPEC beginning as early as 1980.

TABLE II
PROJECTIONS OF OPEC REVENUES AND CAPACITY*
(in billions of 1974 dollars and millions of barrels per day)

	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Total Revenue</i>	<i>Production Total</i>
Case I:					
Price Remains at \$9.60					
1980	\$49	\$47	\$13	\$109	33
1985	51	54	16	121	36
1990				88	26
Case II:					
Price Declines to \$7.00 by 1980					
1980	\$52	\$41	\$11	\$103	42
1985	58	52	12	122	49
1990				135	55
Planned Productive Capacity					
1980	27.8	16.3	4.5		49

* Based on estimates of the OECD and the World Bank

Although the elements underlying this calculation are subject to considerable technological and political uncertainties, the main conclusion that in the longer term OPEC would benefit from somewhat lower prices remains valid under a considerable range of assumptions. From the standpoint of both the OECD and OPEC countries, the difference between Case I and Case II

is particularly great in terms of the decisions on investment in alternative energy sources. In round numbers, if the OECD countries felt compelled to reduce their demand for OPEC oil by 1985 by the 13 million barrels a day difference between Case I and Case II, they would need to make *additional* investments on the order of \$100 billion in this period. The expansion of OPEC capacity, on the other hand, would involve much less cost. In short, since decisions on tens of billions of dollars of investment in both OECD and OPEC over the next several years will hinge on the assessment that is made of future OPEC price and production policy, this becomes one of the most critical determinants of the future pattern of world trade and capital flows.

In order to maintain any given price, the oil exporters need to have some form of agreement as to how any needed reduction below capacity production will be allocated. Then, in deciding on its preferred production level, each country must estimate two elements: its current need for foreign exchange for internal development, and the prospective return on its investment of any surplus revenues in comparison to the prospective appreciation in value of oil reserves. At current prices there is only a limited prospect for a further increase in value of oil relative to other commodities over the next ten years and a greater probability of decline. Even if the real return on their investment of surplus funds is negligible and only offsets the effects of inflation, exporting countries are better off producing than keeping their oil in the ground. Countries with growing needs for foreign exchange for internal development will have a stronger incentive to increase output than those producing in excess of current needs.

Weighing the several factors that affect these decisions, it seems to me likely that oil prices will come down by 1980 to a level approximating the long-term cost of non-OPEC sources of energy, which is currently estimated to be the equivalent of \$7.00 to \$8.00 per barrel (in 1974 prices) in the Persian Gulf. This reduction would make possible relatively full use of the presently planned expansion of OPEC capacity to 49 million barrels per day by 1980. On this assumption oil prices would still be three times as high as their relative level in 1970 and twice as high as the peak period of the early 1950s.

V

The main threat the oil crisis poses to the OECD countries, as

I have said above, lies in the possibility of a serious reduction in their growth rates rather than in the need to transfer two percent of their national incomes to the OPEC countries. The question of growth rates hinges on the policies followed by the OECD group, and particularly the degree of their willingness to accept the accumulation of major claims on assets (borrowing in the broad sense) from the OPEC countries.

The preceding discussion has already considered three of the actions the OECD countries are taking in the face of the oil crisis, namely, the reduction of nonessential energy needs, the development of their own energy sources and those of other non-OPEC countries, and trying to persuade the OPEC producers to lower the price of oil. Even with some success in each of these efforts, the OECD countries confront a substantial financial problem of, in effect, borrowing from OPEC to finance continuing balance-of-payments deficits with those same countries. Because of the limited absorptive capacity of the OPEC countries, the OECD countries—even under the Case II assumption of gradually lowered prices—would have to finance aggregate annual deficits of \$30 to \$40 billion (in 1974 prices) until the early 1980s. (Imports would be lower and the deficits slightly higher under Case I.) Unless the OECD countries further reduce their oil demand through rationing and economic stagnation, they will have to accept a growth in OPEC claims on their assets (debt plus direct investment) that will cumulate to a total of up to \$300 billion by 1980 (in constant 1974 dollars).

There is an inclination in many quarters to regard the task of financing any such amount as both unmanageable and unsound in the light of traditional principles of financial management. But it is hard to sustain either of these conclusions on economic grounds. Both the postwar experience of the European Recovery Program and the current management of capital flows to developing countries demonstrate the adjustment mechanisms that are needed. The economic desirability of borrowing from the OPEC countries should be judged on the basis of the cost—in terms of lower incomes and higher unemployment—of *not* borrowing. The feasibility of borrowing in the amounts indicated depends on the burden of debt service and future repayment over the next several decades. Because of the large sums involved, there is a tendency to exaggerate these prospective burdens and to ignore the cost of lower rates of growth.

In many respects the economic adjustment now required of the OECD in relation to OPEC is similar to the typical problem of developing countries that have increased their capital inflow in order to accelerate their rates of growth. It is quite normal for them to finance 20 to 30 percent of import requirements through external borrowing for periods of 10 or 20 years while new exports are being developed. The service on this external debt often rises to as much as 20 or 25 percent of export earnings (or three to four percent of GNP) without jeopardizing the country's economic prospects or its future ability to repay. The desirability of incurring external debt depends on the additional growth that can be secured from greater imports and investment in relation to the real cost of borrowing.

The OECD oil deficit differs from the normal trade gap of less developed countries in one significant respect: its current magnitude is determined primarily by the ability of the lending countries to utilize imports from the borrower rather than by the latter's ability to supply them. This fact does not create any added problems for the OECD as a whole unless the OPEC countries decide not to continue to supply oil in the quantities indicated in Table II. On the contrary, having to borrow to pay for oil instead of suddenly increasing exports cushions the immediate impact of the rise in prices and supplies additional resources to offset the large investments needed for alternative energy sources.

Another way to judge whether this process of adjustment is feasible is, however, to compare it to the last major adjustment involving the European members of what is now OECD. In the wake of World War II, these countries engaged in a program of reconstruction that lasted through the period of the Marshall Plan and extended to about 1955. During this period there was, in effect, a massive transfer of resources from the United States to Europe, while Europe developed the productive capacity to meet what was then called the "dollar gap"—that is, to export sufficient goods and services to pay for their import requirements from the United States. In a very real sense, the position of the United States at that time corresponded to the position of the OPEC oil countries today.

The main interest in this comparison is in the relative magnitudes of the "structural" deficits in the balance of payments in the two periods, the time needed to eliminate this deficit, and the capital inflow required during the period of adjustment. The

main difference of course was that during the earlier period the United States itself financed a large share of the transfers through grant aid. This difference must be allowed for in making the evaluation. Similarly, while the United States and Canada should be omitted from the "debtor" group in both periods (since they can finance their future oil needs without great difficulty), Japan and the Oceania members of OECD must be included in the second, or OPEC, period.

To make the comparison real, let us assume that in both periods the "debtor" group of nations was required to repay the principal of the total "debt" over a period of six years, beginning in 1952 and 1974 respectively, and that the "interest" (actual interest on debts, plus dividends on investment) was at identical rates of five percent. On this basis, Table III below shows (in 1974 dollars for both cases) the growth of GNP, international trade levels, capital inflows, and debt service requirements for 1947 to 1955, and projections of the same magnitudes for 1974 to 1985.

When put in these terms, the adjustment to higher oil prices

TABLE III
COMPARISON OF ADJUSTMENT PROCESSES: 1947-55 AND 1974-85
(billions of dollars in 1974 prices)

A. 1947 Adjustment (OECD Europe)			
	1947	1950	1955
1. Gross National Product	350	435	578
2. Exports	51	94	134
3. Imports	75	90	116 ^a
4. Net Capital Inflow	31	11	2
5. Total Debt	31	74	92
6. Hypothetical Debt Service ^b	1.4	3.6	17.9
7. Debt Service/GNP	0.4%	0.8%	3.1%
8. Debt Service/Exports	2.8%	4.0%	13.0%
B. 1974 Adjustment (OECD Europe and Japan-Oceania)			
	1974	1980	1985
1. Gross National Product	1,921	2,695	3,082
2. Exports	361	524	776
3. Imports	329	460	710
4. Net Capital Inflow	40	45	34
5. Total Debt	40	285	500
6. Hypothetical Debt Service ^b	8	48	51
7. Debt Service/GNP	0.4%	1.8%	1.6%
8. Debt Service/Exports	2.2%	9.2%	6.6%

^a Actual imports were reduced to take account of the need to service hypothetical debts.

^b Hypothetical debt service calculated at 5% interest, repayment of each year's borrowing over six years beginning in 1952 or 1974.

that is now required is shown to be of somewhat lesser magnitude than the postwar adjustment process. The proportion of imports to be financed by external capital in the first five years is only half as great, and it will not be necessary to limit the growth of non-oil imports in order to close the trade gap with OPEC. Although there was little repayment of the actual postwar debt, the growth of exports and GNP after 1950 was rapid enough to have permitted such repayment with little effect on continued growth. The important lesson of the postwar period is that such a large restructuring was accomplished with relative ease *because economic growth was sustained at a high rate.*

Even without much fall in OPEC oil prices between now and 1980 the OECD countries of Europe and Japan will reach a maximum indebtedness to OPEC in the early 1980s. At its peak, the service on this debt will be less than two percent of their GNP. Table III shows that borrowing to pay for part of the increased oil costs has the advantage of spreading out the diversion of exports needed to offset the worsening of the OECD terms of trade; even if interest on the debt reaches five percent in real terms (much more than is now being paid), the total burden of debt service will be less than 10 percent of projected exports.

By 1990 almost all of the OPEC countries are likely to have reduced their outstanding investments in the OECD very substantially as their internal absorptive capacity continues to grow. While capital may then flow in the opposite direction to support the continued growth of the oil producers as their oil revenues stagnate or decline, the magnitudes will not be so large as to interfere with the growth of the OECD countries. Therefore, it is difficult to argue on economic grounds that the world economy cannot sustain capital flows of the required magnitude, or that the OECD countries need to suffer heavily in the process.

The other major obstacle to acceptance of borrowing from OPEC countries as a desirable solution to the oil problem is the fear that they will acquire excessive ownership and control of OECD assets. The magnitudes involved—up to \$300 billion (in 1974 prices) by 1980—must be judged in relation to the total assets of the OECD countries including the United States. The figure of \$300 billion would be perhaps five percent of the value of all stocks and bonds in the major OECD countries in 1980 or two percent of their fixed assets. These are considerably smaller proportions of foreign ownership than those experienced by

many countries in the past. Moreover, it is clearly within the power of the recipient countries to limit the forms of assets that are held so as to avoid any undesirable forms of external control.

Thus, instead of worrying about foreign control of existing assets, we should be more concerned with the loss of income and wealth that is likely to occur through misguided efforts to limit the oil deficits. A reduction of OECD growth from its normal five percent to 3.5 percent would wipe out some \$300 billion in potential asset formation by 1980 and cause considerable unemployment, which is a much greater cause for concern than the risks of OPEC control.

In sum, there do appear to be reasonable ways by which the adjustment process between the OECD and OPEC countries can be eased and made bearable. If the analysis in Table II were accepted, some reduction in the oil price would be a part of the overall answer. But even if this were not done, a better coordinated international system should be capable of handling the required transfers through the transition period. In economic terms, the problems between the OECD and OPEC countries *are* soluble.

VI

Let us return now to the problem of the LDCs.

The events of the past several years have had very diverse effects on the two billion people who constitute the Third World. Although the commodity boom of 1972-74 improved the terms of trade of most primary exporters, this trend has now been reversed, with the exceptions noted above of petroleum and some minerals and foodstuffs. The impact of oil and food prices on the non-OPEC members of the Third World has been to double their balance-of-payments deficits—from \$10 billion in 1973 to \$20 billion in 1974—offsetting the effects of the present flows of concessionary loans and grants.

These developments have initiated a process of fragmentation of the Third World that is likely to continue. The beneficiaries of these changes comprise some 400 million people living in countries exporting oil and minerals, whose development prospects have greatly improved. A second group consists of some 600 million people in the upper income tier of the developing countries—Brazil, Turkey, Korea, Thailand, etc.—many of which have suffered losses similar to those of the OECD. Al-

though they will have to borrow large amounts to offset their oil deficits, most of them have sufficiently flexible and diversified economies to adjust to the increased exports and changed internal allocation of resources. This group will experience a temporary slowdown in growth, but their long-term prospects need not be seriously affected, providing they continue to have access to capital markets and other recycling facilities.

For the billion people in the lower tier of less developed countries the situation is quite different. For most of the poorest countries—mainly in South Asia and East and Central Africa—export prices have lagged behind the general inflation while import costs have risen sharply. As a result, their terms of trade have worsened by 20 percent in the past two years, twice as much as the fall for the OECD countries. For many of these countries—and notably India and Bangladesh, which comprise two-thirds of the population—development prospects have been set back ten years or more. In many cases, food shortages and high prices are as important as the rise in oil costs in preempting the available foreign exchange and stopping the import of other goods needed for development. It is in this “Fourth World” that the oil and food crises come together and require a joint solution.

In general, the ability to adjust to changes in external economic conditions diminishes at lower levels of development. The margins for reduction in consumption of oil or food become narrower, and there is a more limited range of potential exports that can be increased in the near future. For many of the poorest countries, the possibilities of internal adjustment are rapidly being exhausted. While some of them accumulated foreign-exchange reserves during the commodity boom, these reserves will not long offset the increased cost of imports. Since it will take several years to develop new exports, growth can only be sustained even at reduced levels by an increase in concessional lending of three to four billion dollars per year (in constant prices) over the next few years.⁵

Since India makes up more than half the population of the lower tier of developing countries and has somewhat greater opportunities to adjust, it deserves separate comment. Although India has had considerable success in developing an industrial base and a supply of human skills over the past two decades, it has

⁵ Robert McNamara, Address to the Board of Governors of the World Bank Group, September 1974.

been one of the last countries to maintain the inward orientation of its development effort instead of following Korea, Brazil, Mexico and most other industrializing countries in shifting into manufactured exports. It was thus in a very poor position to meet the impact of higher oil, food and fertilizer prices, which added two billion dollars to its existing import bill of three billion dollars between 1972 and 1974. Unlike the other very poor countries, however, India has an industrial structure that could provide a basis for rapid export growth if it were to give the priority to this effort that has proved necessary for other successful exporters.

In summary, it is worth stressing the basic differences between the more limited adjustment mechanisms available to the less developed countries and those that can be employed by the advanced countries.

- OPEC surpluses will be automatically invested in the capital markets of the advanced countries; special efforts (such as guarantees or subsidies) will be needed to redirect some of these funds to the developing countries or to have the OECD countries re-lend them.
- Energy conservation provides a large element of the adjustment for the rich countries, but there is much less scope for it in the less developed ones.
- Since three-quarters of the OPEC surplus is with the OECD, the latter countries cannot reduce it by expanding exports to one another. However, the OECD countries should accept a continued expansion of exports from the developing countries, since this latter group can only depend on recycling to a limited extent.

VII

Despite widespread predictions of impending economic disasters, these events are no more inevitable now than were similar predictions in 1946 and 1947. The basic problem we face is to adjust to the claims for a relatively small redistribution of world income among countries without incurring any greater loss of welfare than is necessary. While one solution to the problem would be for the producers of petroleum and foodstuffs to moderate their claims, a return to previous price relations can be virtually ruled out, and some degree of structural readjustment must be pursued.

The policy conclusions to this analysis can be summed up in three propositions: (a) once the dimensions of the basic problem are accepted, it should be quite feasible to devise a set of policies to enable the several parts of the world economy to resume satisfactory rates of development; (b) the various elements of the solution are highly interdependent and require a quality and sincerity of international cooperation that has been lacking since the early 1950s; (c) the effects of a failure to make the adjustments in the international system would be considerably more costly to most of the participants than the gains that each country can hope to achieve by acting independently, and the burden of such a failure would fall disproportionately on the poorest countries.

Although it is not my purpose to analyze the various institutional changes that are needed to bring about these results, the principal elements in a cooperative approach to a solution can be sketched out:

1. *Reduction of Uncertainty in Oil Marketing*

Uncertainty as to OPEC oil policies and the desirable responses to them is the main obstacle to the acceptance of the problem of higher prices by the importing countries. Reduction of this source of uncertainty would greatly aid the adoption of other measures to restore equilibrium in the world economy.

2. *Financing Oil Deficits*

It is generally agreed that the existing recycling mechanisms—OPEC loans to preferred governments, limited use of the international institutions, direct OPEC investments, and the private banking system—will become increasingly inadequate to the magnitude of the OPEC surplus in the course of 1975. Although a more satisfactory system would expand use of all of these routes, it should also guarantee a volume of lending adequate to finance the oil deficits of the OECD countries and the upper tier of those developing countries which are able to assume additional debt. Such guarantees are needed to avoid “beggar thy neighbor” policies through which importing countries attempt to reduce their individual oil deficits at each other’s expense. However, the poorest countries are not able to assume much additional debt other than on concessional terms.

3. *Support for OPEC Development*

Since the main object of the OPEC governments is the rapid and secure development of their economies, their willingness to

cooperate in solving the problems of the rest of the world is likely to be increased by measures that would enable them to reach that goal. Such measures should include a secure return on external investment and assistance in their internal development. In return they might be willing to forgo high short-run profits in favor of a larger and more secure future market for their oil.

4. *OECD Growth*

Even with adequate recycling mechanisms, some short-term reduction in the growth of the industrial countries is virtually inevitable as part of the worldwide effort to control inflation. However, a restoration of the trend rate of five-percent growth of GNP for the OECD countries by 1976 is quite feasible and would make an important contribution to the solution of the problems of the developing countries.

5. *Restoration of LDC Growth*

In the present atmosphere of inflation, payments deficits and economic recession, it seems politically impossible for the industrial countries to give adequate attention and support to the developing countries. This condition is unlikely to be reversed until the OECD countries are on the way to solving their own problems. Until that is achieved, the erosion of aid by inflation is not likely to be offset, and the tendency to restrict LDC imports will be hard to resist.

In quantitative terms, the needs per year of the developing countries for additional support to restore reasonable rates of growth are modest: three to four billion dollars (in 1974 prices) for the rest of this decade. Depending on the rates of growth of the OECD countries, this would bring total concessional lending back to between 0.3 and 0.4 percent of the gross national products of the OECD and OPEC countries. These were the levels that were maintained by the OECD until recently, when they were reduced by the effects of the inflation. But to achieve them will require substantial increases in current appropriations, in order to offset higher prices.

Without some expansion of aid, restoration of growth in the rest of the world will do relatively little for the most seriously affected countries because they cannot readily shift their exports to take advantage of it. Nor can they make extensive use of recycling facilities on conventional terms. Thus there is no short-run adjustment mechanism available to them except to reduce their growth. Some special assistance—either in the form of re-

duced prices for oil and food or increases in concessional lending—is needed to avoid inflicting on them the main burden of both the oil and the food adjustments.

VIII

Since the series of negotiations and institutional changes required to bring about this rather optimistic scenario will require an appreciable period of time, we will have to improvise temporary solutions. In the short run, there is no alternative to the use of existing institutions for recycling, the reallocation of aid budgets and food stocks to the most affected countries, and an ad hoc sharing among the stronger OECD and OPEC countries of the burdens of adjustment and risks of lending.

In the longer run, the world does have a choice. It lies between mounting a cooperative effort on the model of the postwar period or accepting the much higher costs of an uncoordinated readjustment in which all parties are likely to suffer.

THE PALESTINIAN QUEST

By Eric Rouleau

IN an editorial published in Paris the day after Robert Kennedy's assassination by Sirhan Sirhan, *Le Monde* wrote that this "criminal gesture by a Palestinian nationalist on this 5th of June 1968—anniversary of the Six-Day War—takes on a symbolic value. . . . Never have despair and hatred been so intense in a people who consider themselves deprived of their homeland."

This appraisal, which would today appear both just and commonplace, provoked an explosion of indignation at the time. Many readers, although not at all implicated in the Israeli-Arab conflict, wrote to the editors of the paper to protest the use of the word "Palestinian." Where was Palestine? Had it ever existed? A Paris Zionist weekly accused *Le Monde* of having resorted to expressions whose only objective was to "justify a murder." A number of editorials in the Israeli press, and the ambassador of the Jewish state in Paris in a letter to *Le Monde*, pointed out that "this Arab from Jerusalem" was not even a refugee, but only an "emigrant." In an unprecedented gesture, the Israeli Minister of Foreign Affairs at that time, Abba Eban, circulated an official statement about the "incident" in which he stated: "This editorial belongs to the most shocking literature of incitement. . . . There are attempts in certain quarters to praise the murder and the murderer, and to defend bloodshed as a means of expressing a political opinion. . . ." And yet the editorial in *Le Monde* had not only called the assassination a "criminal gesture" but had condemned the Palestinians' "thirst for revenge."

These reactions illustrate very well the sensitivity of a certain segment of public opinion less than seven years ago when confronted with the Palestinian question. The anger it generated was understandable: many people could not conceive that one could speak of the aspirations or nationalist feelings—justified or not—of a people that did not exist, unless one was inspired by dark ulterior motives of a political nature. Seven months before Robert Kennedy's assassination, the United Nations Security Council had unanimously adopted a resolution (No. 242, of November 22, 1967), recommending "a just settlement of the refugee problem" without specifying the national identity of the refugees.

Two years later, Mrs. Golda Meir, the Israeli Prime Minister, expressed a belief that was undoubtedly widespread in the Middle East (and which persists today, but to a lesser degree) when she maintained that the Palestinian people did not exist, and recalled with irony that formerly the Palestinians considered themselves "southern Syrians." Mrs. Meir was not breaking new ground. Theodor Herzl before her was convinced that Palestine was "a land without people for a people without a land" (the Jews).

II

The founder of political Zionism and the former Prime Minister of Israel were, of course, both wrong. At the beginning of this century, hundreds of thousands of Arabs lived in the territory which was to be entrusted to the British mandate in 1920 under the name of Palestine.¹ Rooted in that country since before the Moslem conquest in the seventh century A.D., they pursued lucrative activities and often prospered. Like a number of other Arab peoples living under the yoke of the Ottoman Empire, they aspired to emancipation. It is true that many of them hoped to become citizens of a great independent Arab state stretching all the way to Syria, and that the germ of specifically Palestinian nationalism did not develop until after World War I, thanks to their twofold struggle against the British occupiers and the Jewish settlers who were fleeing persecution in Europe. For example, it is significant that the newspaper *Filastin* (Palestine), which appeared until 1967, was founded in 1911. The case of Palestinian nationalism is not exceptional. As has happened in Africa recently and in Europe and South America in the past, arbitrarily drawn frontiers have contributed to the formation of new nations.

Palestinian nationalism, although strongly tinged with pan-Arabism, began to manifest itself at the end of the last century. In December 1920, the third convention of the representatives of Palestine took place in Damascus, condemned the Balfour Declaration of November 2, 1917 (which had promised the Jews a "national home") and protested Jewish immigration into Palestine. On the same occasion, they declared themselves in favor of

¹ The name *Palestina* (derived from *Palashat*, "the territory of the ancient Philistines"), appears for the first time in Herodotus' writings in the fifth century B.C. A thousand years later, the Roman and Byzantine governors divided Palestine into three administrative provinces, a system preserved by the conquering Arabs in the seventh century.

independence and of the creation of a government responsible to a parliament elected by universal suffrage. Ever since, united behind these principles, the Palestinians have ceaselessly fought—peacefully or violently—for the territorial integrity and national independence of their country. The sacrifices they have made prove not only the existence but also the virulence of Palestinian nationalism: during the armed uprising which lasted from 1936 to 1939—to give only one example—3,000 Palestinians were killed, 110 agitators were executed, and nearly 6,000 were interned. On the other side, the Jewish settlement mourned 329 dead and 867 wounded during the same period; the losses of the English forces in charge of the repression were 135 dead and 386 wounded.

Since its inception, the Zionist movement has been divided about the attitude it should adopt with regard to the indigenous population of Palestine. While the majority of its leaders deny the very existence of the Palestinians, some have courageously preached recognition of the national rights of the Palestinian people. These latter Zionists are not only recruited from the left wing of the movement. Marxists, humanists, or just realists, they try to favor a compromise between the two peoples fighting for possession of the same country.

It is curious that David Ben-Gurion—who, when he came to power, did not exactly sympathize with the Arabs, to say the least—should have been one of the first partisans of the Palestinians' right to self-determination. The following are extracts from a lecture he gave in Berlin in 1931.² "The right to self-determination is a universal principle. We have always and everywhere been among the most fervent defenders of this principle. We are entirely for the right to self-determination of all peoples, of all individuals, of all groups, and it follows that the Arab in Palestine has the right to self-determination. This right is not limited, and cannot be qualified by our own interests. . . . It is possible that the realization of the aspirations [of the Palestinian Arabs] will create serious difficulties for us but this is not a reason to deny their rights. . . ."

Despite the generosity of Ben-Gurion's stand, it was not entirely lacking in naïveté, feigned or not. Ben-Gurion and other Zionist leaders of the time claimed that they were convinced that

² Text reproduced in *Cahiers Bernard Lazare* (Paris), December 1972–January 1973 issue.

the aspirations of the Palestinians were not irreconcilable with those of the Jewish people. However, the Zionists' objectives ran directly counter to those of their Arab adversaries, who were against the continuance of the British mandate and were seeking to found an independent Palestinian state. In addition, the Arabs opposed the mass immigration of Jews and refused to grant the descendants of the Hebrews any national rights whatsoever. These descendants constituted a minority until the formation of the state of Israel in 1948, and besides, the majority of its members were emigrants, principally from Russia, Poland, and Germany.

David Ben-Gurion, in this same address, vehemently rejected the thought of recourse to violence in order to make the Zionist dream come true: "In human history," he declared, "violence alone has never been victorious in the long run. We, less than anyone else, can rely on a policy of violence, even if we wanted to do so."³

However, in the face of the Arab rejection of any compromise, the Zionist movement was naturally led to practice a policy of *faits accomplis*, a policy which was to serve as the instrument first for the creation, and then for the expansion, of the state of Israel.

Between the two world wars, particularly after the advent of Nazism in Germany, immigration, the colonization of farm lands, the progressive Judaization of certain parts of Palestine, and the creation of a politico-military infrastructure by the Jewish Agency were accomplished against the Arabs' will and sometimes against the will of the occupying power, Great Britain. The objective was no longer only to create a "national home" in Palestine—in accordance with the terms of the Balfour Declaration—but to convert this territory into a Jewish state. The representatives of the American Zionist movement, meeting in New York in May 1942, adopted the "Biltmore Program," which forecast the establishment in Palestine of a Jewish commonwealth, with unlimited immigration and the creation of a Jewish

³ Such statements notwithstanding, Ben-Gurion's enemies have often accused him of chauvinism by pointing out, among other things, the fact that he never bothered to learn Arabic, although, after his emigration to Palestine in 1906, he applied himself successively to the study of Turkish, English, Greek and, so it seems, Sanskrit. When Israel was born, he opposed those who wanted to establish the borders of the new state once and for all, in the hope of extending its territory later on. During his long rise to power, when he was not led to repress them severely, he showed little interest in the Palestinian Arabs who had become Israeli citizens.

army. These ambitions, which were founded once more on the denial of the Palestinian people's national rights, proved to be visionary. The 22nd Zionist congress, which met in December 1946, was more realistic and formulated a proposition which would win the votes of both the Western and Communist powers: Palestine would be divided into two states, one Jewish, the other Arab. The project was adopted by the General Assembly of the United Nations on November 29, 1947.

The U.N.'s verdict—quite obviously influenced by the general compassion (or bad conscience) felt with respect to the Jews who survived Hitler's policy of genocide—caused indignation in the Arab world, where the "colonialist" nature of the U.N. decision, the "diktat" imposed on the Palestinian people, was denounced. The plan for the division of the country itself was considered a flagrant injustice: the Jews, who made up less than a third of the population and who owned only six percent of the land, were to be given 56 percent of the area.

The Palestinian national movement engaged in an unequal battle which was lost from the beginning. Rendered powerless on the eve of World War II after the failure of the 1936–39 rebellion, it was incapable of accurately evaluating the interrelated local and international forces, which clearly favored Jewish nationalism. Otherwise, the Palestinians would not have obstinately pursued an "all or nothing" policy, which had already brought them many disappointments and which would lead to successive defeats in the new phase of the struggle. The Palestinians, who were strictly dependent on the Arab states, turned to them to put a stop to the creation of the Zionist state. However, the Arab world—divided, torn by contradictory ambitions, and subject to the tutelage or the influence of the English or the French—did not have the means to overcome the U.N.'s decision. Militarily, too, the Arabs were incapable of dealing with the clandestine Jewish army, the Haganah, and with a population which, having escaped the concentration camp crematoriums, felt that it was fighting for its very survival.

The 1948 defeat, the exodus of hundreds of thousands of Palestinians, the annexation of the West Bank of the Jordan by the Hashemite Kingdom, and the attaching of the Gaza Strip to Egypt, marked the beginning of an eclipse for the Palestinian national movement which was to last for 20 years.

The leaders of the battles in the Holy Land before World

War II were by then either discredited or too old to fight, and they disappeared one after the other from the political scene. The young Palestinians enrolled in political groups in friendly countries, preferably in parties with revolutionary or pan-Arab objectives, hoping by this means to liberate their homeland. Whether Communists, Nasserites, Baa'thists or members of the Moslem Brotherhood, the Palestinians continued to be inspired by narrowly nationalist feelings. The proof is that they deserted their respective parties to join the ranks of Al Fatah and other fedayeen organizations as soon as these were formed.

III

The eclipse of the Palestinian movement contributed to a false image held by public opinion in Israel and the world: the Palestinians no longer appeared as a people entitled to a homeland but only as "Arabs" in the process of being integrated into the countries that had welcomed them. Examples given were Jordan, which had granted them citizenship; Kuwait, which employed tens of thousands of Palestinian workers and technicians in its oil fields; Saudi Arabia and the emirates of the Persian Gulf, where many Palestinians held responsible positions in the administration or had become respected members of the business community and the professions. These examples allowed public opinion to condemn other Arab countries—notably Egypt, Syria and Lebanon—which refused to absorb the hundreds of thousands of refugees who were subsisting in camps run by the United Nations Relief and Works Agency for Palestine Refugees in the Near East. For political reasons, the Arab world, it was said again and again, did not want to break up the refugee camps. The argument was not entirely false. Certain Arab regimes undeniably exploited the Palestinian conflict to further their own ends, notably to divert their own peoples' attention from internal problems that the regimes could not and did not wish to resolve.

Nevertheless, other considerably more important reasons—national, economic, or social—stood in the way of the complete integration of the Palestinians. The underdevelopment of certain Arab countries, the population explosion in others (above all in Egypt), unemployment in most, have prevented the absorption of the Palestinians. Lebanon has its own problem: if it granted citizenship to hundreds of thousands of Palestinians (most of whom are Moslems), it would seriously endanger the

delicate, painstakingly maintained balance between the Christian and Moslem communities in the country.

Above all, the factor of their nationality—the importance of which has been clearly underestimated in recent years—remains the principal obstacle to the “dispersion” of the Palestinians. Their assimilation has encountered a double resistance: their own and that of the Arab peoples who have offered them hospitality. One would have come to the same impasse if one had tried to transplant the Algerians to neighboring Tunisia, or the Moroccans into Egypt. At best, the Palestinians are everywhere considered emigrés, stateless persons, with whom it is possible to sympathize, but most often as one sympathizes with intruders. They are educated, industrious, and resourceful—all qualities which minorities develop naturally in unfriendly surroundings—and they are therefore envied, feared, looked on with suspicion, or scorned by their Arab “brothers” who sometimes nickname them “the Jews of the Middle East.” Even the Palestinians who have successfully integrated are progressively pushed aside or feel threatened with exclusion from societies in the process of development, which thrust up strictly indigenous middle and working classes and intellectual elites. And it is neither by chance nor the result of clever propaganda (as some people believe) that the Palestinians of the diaspora, as the Zionists have done for centuries, cry out “Nahnu a’aydun” (“We shall return!”). Their will to find a “national home” and to found a state has continued to assert itself since their dispersion in 1948.

Until 1967 few Israelis were interested in or conscious of the existence of the new forces which would revive the Palestinian national movement and give it a vigor and dimension without precedent in the history of the conflict. Although they were attentive to the slightest development in the Middle East, the official authorities of the Jewish state, its research institutes, and its universities persistently failed to distinguish the Palestinians from the Arabs. It is true that a handful of orientalists had taken up the study of the problem, but most of their work was related only to secondary aspects: to the refugee problem or terrorism.⁴

At the time, they seemed to be right. The fedayeen who engaged in attacks on Israel in the early 1950s were more or less

⁴ The Center for Research on Palestinian Arabs was established in Israel only after the Six-Day War. It has been integrated into the Truman Institute, situated on Mount Scopus.

remote-controlled by the Arab intelligence services—Egyptian, Syrian, and Jordanian particularly. The disenchantment brought about by the 1948 disaster had not, it seemed, shaken the Palestinians' pan-Arab feelings. Moreover, Nasser's revolution in 1952 had rekindled the hope that the Arab world—now rid of "corrupt regimes tied to imperialism"—would finally unite to liberate Palestine.

IV

This, at least, was the picture seen from the outside. Yet the reality was rather different, at least for the avant-garde among Palestinian youth. A number of founders of Al Fatah, whom we have interviewed at length about this phase of their history, have said that they progressively came to the conclusion that the Palestinian people could count only on themselves to realize their aspirations. Nasser very soon disappointed them. During his first years in power, the leader of the Egyptian revolution showed little interest in the Palestinian problem. Until the Israeli raid on Gaza in February 1955—which shook him profoundly—he was principally preoccupied with purely internal questions: the destruction of the monarchy and the feudal class it had fostered, agrarian reform, the expulsion of the British from the canal zone, and the fight for power. The fedayeen, armed and trained by Egyptian officers, felt that they were instruments in the service of Nasser's politics. The latter did in fact put an end to their activities at the beginning of 1957, after the installation of a U.N. force along the lines established by the truce. For a decade Nasser's police had to be severely repressive in the Gaza Strip to prevent the Palestinians from organizing themselves into an autonomous group or from taking up arms.

In Gaza were developed the main lines of the ideology taken up first by Al Fatah and later by the Palestine Liberation Organization (PLO) led by Yasir Arafat. Arafat, like many of his comrades, was much impressed by the guerrilla war launched against France by the Algerian nationalists in 1954. These Palestinians aspired to found a movement analogous to the FLN, entirely autonomous but benefiting nonetheless from the support of the Arab countries. Their pan-Arabism has changed radically: they maintain that Arab unity can only be achieved through the liberation of Palestine, not the other way around. They feel that the Palestinian national movement should no longer be towed

along by the Arab countries but should become the motor, the catalyst, of the revolution in all the "fraternal" countries. In a conversation he had in 1969 with the author of this article, Abou Ayad (*nom de guerre* of Salah Khallaf, the second in command of Al Fatah) illustrated this thesis with the following allegory: "A peasant shakes a tree on which there are 14 oranges; he tries to get one of them to fall down, but instead the 13 others, which are already rotten, drop at his feet." The peasant, explained Abou Ayad, is the Palestinian people; the orange he wanted to have but which was not yet ripe is the state of Israel. The other 13 oranges which fell down first are the members of the Arab League.

While waiting for the Arab revolution to clear the way for the "liberation" of Palestine, the "historical leaders" of Al Fatah, from their first clandestine meetings, contemplated preaching the reunification of their country into a "democratic state in which Moslems, Christians, and Jews would live on an equal footing." We have no formal proof that this "strategic objective," formulated publicly for the first time in 1968, had been discussed by the founders of Al Fatah ten years earlier. However, some of those founders have assured us that the idea came to them in the autumn of 1956, during the occupation of the Gaza Strip by Israeli troops. Despite the pitiless repression exercised by General Dayan's army, these young and ardently nationalistic Palestinians saw a good deal of the Jewish soldiers born in Palestine or Middle Eastern countries. Both sides had an Arab background and they spent entire nights discussing their respective aspirations, sharing the same sense of humor, and sometimes singing old songs together which they had learned in their childhood. Certain leaders of Al Fatah told us: "We realized then that the Palestinians and the Jews of Middle Eastern origin—who constitute the majority in Israel—had many things in common and could coexist very well in a single state which would be free of both Zionism and Arab chauvinism."

It is possible that the idea of Jews and Palestinians living together was indeed born in Gaza in 1956. But it is more than doubtful that Al Fatah had, particularly at the beginning, an ideology or a coherent program. Its founders, then its most militant members, came from very varied political backgrounds (particularly members of the Moslem Brotherhood, Baa'thists or Nasserites), lived in different countries, and observed strict

rules of secrecy which forbade them to publish any political documents whatsoever at the time. Fleeing police persecution in countries bordering on Israel—above all Egypt and Jordan—from 1957 onwards the majority of Al Fatah's "founding fathers" (Yasir Arafat among them) found refuge and profitable employment in the countries bordering the Persian Gulf—notably Saudi Arabia, Kuwait, Qatar, and Abu Dhabi—whose embryonic security services scarcely bothered them.

These countries, which are both underdeveloped and rich in oil, have many high officials and businessmen (sometimes multimillionaires) of Palestinian origin. The future leaders of the resistance therefore had at their disposal funds, highly placed friends, and the relative freedom of movement which they could not claim in the near eastern Arab countries. They established their center in Kuwait, where Arafat was a public works contractor, and they began to scatter their political cells throughout the Arab world.

In 1958, Al Fatah (which had just been formally founded)⁵ began publishing in Beirut the magazine *Filastinuna* (Our Palestine) in which it began to spread simple ideas anonymously: the Palestinian national movement must be strictly independent of the Arab states; it should prepare itself for a guerrilla war of long duration like that of the Algerians and the Vietnamese, with the active support of the Arab peoples and of the national liberation movements in the countries of the Third World. To achieve this twofold objective, the editors of *Filastinuna* maintained that the principle of nonintervention must govern the relations between the Palestinian nationalists and the various Arab regimes (a principle which was, however, rarely applied to the letter in subsequent years).

Al Fatah went through a difficult phase beginning in 1958 when the union of Egypt and Syria turned Nasser into the champion of a monolithic pan-Arabism. Yasir Arafat and his friends avoided a head-on collision with Nasserism in order not to be called "separatists" or "regionalists," which were the supreme insults at the time. They patiently pursued the organizational tasks they had assigned themselves. Secretly and often anonymously they established cells made up of militants, particularly in the refugee camps in Lebanon, Syria, and Jordan. Two events which

⁵ Fatah, meaning conquest in Arabic, is made up of the initials, in reverse order, of the name of the organization known as the "Palestine Liberation Movement."

succeeded each other gave the Palestinian organization a fresh impetus: the breakdown of the union between Syria and Egypt in 1961, which marked the beginning of the decline of Nasserism; and the victorious ending of the armed struggle in Algeria, which gained its independence in 1962.

The leaders of Al Fatah then decided to move from the political and organizational phase to that of guerrilla warfare. They set up a purely military satellite organization, Al Assifa, whose mission was to harass the Zionist state with attacks and sabotage. Their objective was threefold: to create a climate of insecurity in Israel; to maintain the tension between the Jewish state and its neighbors, which would then be more likely to tolerate fedayeen infiltration; and, finally, to bring about a war between Israel and the Arab countries.⁶

Arms were bought on the black market with the help of the millionaires of the Palestinian diaspora, and stored in the refugee camps in Lebanon, Syria, the West Bank, and the Gaza Strip. Ex-fedayeen from the 1950s and veteran officers who had served in various Arab armies were carefully recruited to train the future guerrillas in the deepest secrecy.

When the first national Palestinian congress (a sort of parliament) met in Jerusalem in May 1964 and founded the Palestine Liberation Organization, Al Fatah considered itself directly threatened. This congress of notables had been convoked at the instigation of the Arab League, with the obvious goal of channeling the energies of the Palestinians away from the uncontrolled activists. It was clear that the PLO was destined to become Nasser's docile instrument, because its president, Ahmed Shukeiry, an old hand at politics and an opportunist, put himself at the disposal of the leader of the Egyptian revolution after having long been in the service of Ibn Saud, the ultra-conservative king of Saudi Arabia.

Although its military preparations were far from complete, Al Fatah decided to take action during the second half of 1964. To become the sole outlet for Palestinian nationalism, Al Fatah had to overtake the PLO as quickly as possible. An attack on the Knesset (the Israeli parliament) was planned for December 26. But technical difficulties caused the cancellation of the proj-

⁶ This information as well as the details to follow were supplied to us by Abou Youssef (*nom de guerre* of Mohamed Naggar), one of the principal founders of Al Fatah, who was assassinated together with two other Palestinian leaders by an Israeli commando group in Beirut on April 10, 1973.

ect at the last minute. It was not until January 1, 1965, that Al Assifa launched and set its name to its first military operation in Israeli territory. The commando group lost one of its members at the border where he was felled by the Jordanian security service. The first casualty of the Palestinian resistance movement was thus killed by an Arab bullet.

By giving this incident a great deal of publicity, Al Fatah managed to achieve two political objectives: the Hashemite regime was presented as Israel's "accomplice," and the passivity of the PLO, the "creature" of the Arab League, was made manifest, demonstrating the need for an autonomous Palestinian movement.

At that time the leaders of Al Fatah were counting on a delay of five years before promoting an armed conflict between Israel and its neighbors. They had, however, underestimated the momentum of the mechanism they had set in motion. The Hebrew army responded to the fedayeen attacks with reprisal raids against Jordan and Syria as well as with threats to the Damascus regime; Nasser replied with a theatrical mobilization of his army and by closing the Gulf of Aqaba. War broke out in June 1967, two and a half years before the date anticipated by Al Fatah.

The rout of the Arab armies inaugurated what its participants regarded as the golden age of the Palestinian resistance, which appeared from then on to be the only force capable of continuing the fight. Al Fatah resumed its raids in October 1967. Large groups of Palestinians enrolled under the banner of Arafat's organization. The crowds were such that the recruitment offices were obliged to turn away prospective guerrillas.

Fedayeen organizations proliferated, often at the prompting of different Arab countries anxious not to allow Al Fatah to monopolize the resistance. The Popular Democratic Front for the Liberation of Palestine (PDFLP) was founded in December 1967 with Damascus' and Cairo's benediction. In 1968 Syria supported the creation of Saiqa (Lightning). The following year, Iraq installed the Arab Liberation Front (FLA) on the Palestinian scene. In March 1970, the Communist parties of Jordan, Syria, and Iraq—not wishing to leave the road clear for the Syrian and Iraqi Baa'thists and the Nasserites—formed "the partisan forces," a fedayeen organization which, following Moscow, curiously enough, favors a peaceful solution of the Palestin-

ian problem, on the basis of the Security Council's Resolution No. 242. During 1969 one could count a total of 15 Palestinian groups of various sizes, the majority of which were financed and armed by one or several Arab countries.

In the meantime, Al Fatah did not let itself be swept away by this wave of rivals. In February 1969, it even managed to secure effective control of the PLO, to "fill the empty shell left by Shukeiry," in the words of Shefiq al-Hout, director of the fedayeen "headquarters" in Beirut. It is true that Nasser, for realistic reasons as well as from self-interest, had helped Yasir Arafat hoist himself to the top of the PLO. The Egyptian leader thought he could manipulate the Al Fatah chief more easily once he was draped in the mantle of "respectability." In any case, the Egyptian leader risked little, since the majority of Arafat's partisans were concentrated not in Egypt but in Jordan, their principal base of operations. If necessary, they were in a position to exert military pressure on Israel to the greatest advantage of the Egyptians. At its apogee in 1970, the PLO numbered between 30,000 and 50,000 men trained for guerrilla warfare.⁷

In the meantime, the fedayeen had created in the midst of the Hashemite Kingdom a sort of "state within a state," which had become intolerable to King Hussein after he had accepted the "Rogers Plan" for a peaceful settlement in July 1970. The showdown he staged in September 1970 resulted in the massacre of thousands of Palestinians.

V

The Palestinian resistance, now vanquished, began to go into a decline. Liquidated in Jordan, controlled in Syria, its movements restricted in Lebanon, and abandoned by Egypt (after the death of Nasser in September 1970), it was conspicuous by its absence in the territories occupied by Israel. In the autumn of 1972, Abou Ayad, the second in command of Al Fatah, declared that the resistance was threatened "by total collapse."

The repression exercised by Israel, although less brutal than that undertaken in Jordan, was nevertheless just as effective. Between the Six-Day War and December 31, 1971, the Israeli authorities imprisoned or sentenced to long prison terms more than

⁷ Cf. Hisham Sharabi, "Palestine Guerrillas: Their Credibility and Effectiveness" (a series of supplementary papers for Strategic and International Studies), Georgetown University, 1970.

5,000 Palestinians, dynamited—by way of reprisal—thousands of Arab dwellings, deported hundreds of activists, and inflicted collective penalties (in economic terms and police regulations) on a number of centers on the West Bank, the Gaza Strip, and in Jerusalem.

Yet repression cannot alone explain the paralysis of the resistance. Much more fundamental reasons contributed to its decline, some of which deserve to be cited:

(1) *The divisions within the PLO*, whose facade of unity was an illusion, brought about organizational anarchy, contradictions and political inconsistencies, and demagogic exaggerations by the various rival organizations which often reflected the power struggle among the Arab countries.

(2) *The cult of force*, which had led the fedayeen to proclaim in their “national pact” adopted in July 1968 the principle that “armed combat is the *only* road to the liberation of Palestine.” Having invested all their energies in conducting the armed combat, the leaders of the resistance had not been able to develop among the mass of their followers durable political organizations which would have survived military defeats and the physical elimination of the guerrillas. They had furthermore neglected to employ the various forms of political action which in most cases might have been more profitable than their recourse to force.

(3) *The “all or nothing” policy encouraged by the “strategic goal” of destroying the Zionist state in order to replace it with a “reunited and democratic Palestine.”* This utopian “strategic goal” had become a sort of “sacred cow” which was often worshipped without too much faith, but which maintained the facade of unanimity of the resistance. On the other hand, it was partly responsible for antagonizing a number of Arab states, which favored a compromise, for excluding diplomatic moves from the resistance and even for alienating a number of Palestinians (particularly those confronted with the harsh reality of the occupation) who refused to confuse the desirable with the possible and to sacrifice themselves on the altar of an inaccessible paradise.

Politically and militarily impotent, the Palestinian activists resorted much more often to the only weapon left to them—blind terrorism, whose horrors contributed to increasing their isolation on the international scene.

VI

The October 1973 war changed the situation significantly by giving the Palestinian national movement a powerful new impetus. Although the Arabs in the occupied territories have had neither the time, nor the means, to take up guerrilla warfare again, their passive resistance has turned out to be just as formidable. On orders from the Palestinian National Front (a clandestine movement inspired by the Jordanian Communist Party, which since August 1973 has been regrouping the fedayeen organizations, various political groups, the unions, professional associations, and many "notables"), tens of thousands of workers (Palestinians from the occupied territories or citizens of Israel) refrained from going to work for the duration of the war and even longer. This paralyzed many Israeli businesses. "An Arab worker in an Israeli factory is the equivalent of an extra Jewish soldier at the front," proclaimed one of the slogans of the Palestinian National Front, as an affiliate of the PLO.

Paradoxically, Arafat's organization, whose military role in the October war had been entirely marginal, emerged strengthened from the conflict, much to the astonishment of the Israeli authorities. Despite deportations, arrests, and the dynamiting of Arab houses, the Moslem council of Jerusalem as well as representatives of the public authorities and a majority of mayors and other notables (a number of whom were considered partisans of King Hussein) have one after the other informed the Israeli government that henceforth they consider the PLO "the only legitimate representative of the Palestinian people." Another sign of Arafat's rise was that at his orders, channeled through the Palestine Liberation Front, 39,000 Palestinians (of the 43,000 registered) boycotted the municipal elections in Jerusalem in 1973.

At the end of 1972, in the course of an inquiry we undertook regarding the Palestinians in the occupied territories, in Lebanon, in Syria, and in Jordan, we recorded many criticisms and complaints about the PLO. We noticed, however, that the prestige of Mr. Arafat's organization remained intact. "Despite everything," we were told by the majority of those we questioned, "the fedayeen have restored our dignity, our pride in being Palestinians."

Meeting in Algiers in November 1973, one month after the Yom Kippur War, the Arab heads of state designated the PLO as "the only legitimate representative of the Palestinian people,"

but decided not to publish their decision in order not to embarrass King Hussein. The resolution—which was officially confirmed by the Arab “summit conference” in Rabat in October 1974—seemed astonishing at first sight. How was it possible that King Hussein’s friends and allies—like King Faisal of Saudi Arabia, the Emir of Kuwait, and King Hassan II of Morocco—would sacrifice the Hashemite sovereign for the sake of Arafat?

In our opinion, the decision by the Arab heads of state was dictated by at least three political considerations:

(1) King Hussein’s passivity during the October war finally succeeded in discrediting him in the eyes of the Palestinians. The Arab heads of state considered him no longer capable of negotiating in Geneva a settlement believable enough to be lasting.

(2) Any peace treaty with Israel would necessarily contain concessions which might jeopardize the position of those consenting to them. The Arab heads of state do not want to assume this heavy responsibility without the guarantee—indispensable in their opinion—of the Palestinians who are the most interested party. And since the fedayeen organizations cannot be suspected of being sympathetic toward the Jewish state, why not bring them along to the negotiating table and get them to participate in the general settlement which will be concluded one of these days?

(3) The Arab heads of state knew even before the October war that certain PLO leaders were prepared to contemplate a compromise.

In the months preceding the war, observers had noticed signs of mellowing. Kamal Nasser, while he was the official spokesman of the PLO, told us in November 1972 that “the resistance is ready to consider an invitation to participate in an international conference like the one in Geneva which, in 1954, had led to the settlement of the conflict in Indochina.”⁸

President Sadat therefore was not risking a great deal when he declared in a speech on October 16, 1973, at the height of the war, that he would undertake to “convince our brothers in combat . . . the representatives of the Palestinian people” to participate in the peace conference he proposed should convene. One can assume that he had already sounded out Arafat and his friends in this regard and obtained their agreement.

⁸ Kamal Nasser was one of the three Palestinian notables killed by an Israeli commando group in Beirut in April 1973.

At the end of October 1973, during off-the-record discussions with the principal PLO organizations—Al Fatah, Saiqa, and the Popular Democratic Front for the Liberation of Palestine headed by Nayef Hawatmeh—we learned that they had already decided to participate in the Geneva conference under certain conditions.

A high official of Al Fatah told us in this regard: "We have undertaken a careful analysis of the regional and international situation in the light of which we have come to the conclusion that it is imperative, in the overriding interest of the Palestinian people, to accept a compromise. . . . We will neither be the first nor the last to accept the often cruel verdict of history. We are not going to be more revolutionary or more uncompromising than the Germans, the Vietnamese and the Koreans, who, like it or not, have allowed the division of their respective countries. Moreover, peace with Israel could reopen the way to gradual evolution leading to the reunification of Palestine which would become one day the homeland of both Jews and Arabs."⁹

This is undoubtedly what Yasir Arafat had in mind when he declared before the U.N. General Assembly on November 13—a year later—that he "dreamt"¹⁰ of a reunified Jewish-Arab Palestine. One may regret that he was not as explicit as he had been on June 5, 1974, when he said before the Palestinian National Council (the "parliament" of the resistance) that he was ready, if necessary, to participate in the Geneva conference, in other words, to negotiate a compromise with Israel.

However, Arafat's intransigence is understandable. He did not want to lay himself open to recriminations from those fedayeen organizations which are hostile to him and which reject even the principle of negotiation. To be sure, the PFLP headed by George Habash, the PFLP General Command, led by Ahmad Jibril, and the Arab Liberation Front do not represent more than ten percent of the total strength of the fedayeen. But the influence of these three small groups united in the front lines of those refusing to negotiate could spread rapidly to the rank and file of the other organizations if Arafat were forced to lay down his cards prematurely, i.e., even before the PLO is admitted to the Geneva conference. And as it turned out, while

⁹ Cf. *Le Monde*, November 6, 1973.

¹⁰ The choice of this word is significant in itself. A politician is not forbidden to "dream" of an ideal solution, realizable or not in a distant future, if in practice he is capable of confronting the problem with enough realism to reach a compromise.

Arafat was giving his speech at the United Nations, the Israeli government was reiterating its determination not to engage in a dialogue with a "gang of murderers" (PLO) and even less to hand over to them the West Bank of the Jordan and the Gaza Strip.

One can also understand why Israel would prefer to negotiate with King Hussein whose inclination to be conciliatory is well known. The Israeli leaders know that the conditions demanded by the PLO would be draconian. To judge by what PLO officials have told us privately, by the official declarations and by the documents published in recent months—particularly the "transitional program" adopted by the Palestinian National Congress on June 8, 1974—it is certain that Arafat would make the following demands:

(1) The Palestinians would go to Geneva only if they were invited as representatives of a people having "legitimate national rights" and not as spokesmen for "refugees," which is the term used in the Security Council's Resolution No. 242.

(2) The Geneva negotiations would have to consider the implementation of all the U.N. resolutions, including those of 1947 relating to the division of Palestine, and 1948 concerning the refugees' right to choose either repatriation in Israel or fair compensation, as well as, of course, the resolutions passed on November 22, 1974.

(3) If these demands, which are considered minimal, are not satisfied, the Palestinian representatives would refuse to make peace with the Jewish state. In any case, the PLO would not formally renounce its "strategic goal," that is to say, the establishment of a Jewish-Arab Palestine.¹¹

At first glance, such demands would make an Israeli-Palestinian accord impossible and would justify Israel's refusal to engage in talks. However, one should not underestimate the momentum toward peace that all negotiations bring about. The fact that they sent a delegation to Geneva would mean *de facto* that the PLO recognized the state of Israel; it would be the first time in half a century that the representatives of the two peoples would attempt together to find an overall solution to their conflict. Better still, they would be subject to the friendly pressures

¹¹ Nevertheless, in the case of a settlement, the leaders could undertake not to resort to force to attain their objective. Political combat would thus replace armed combat. This was told us by Mr. Hawatmeh, the leader of the Democratic Front, whose influence reaches far beyond the confines of his organization.

of their respective allies to lead them to conclude a compromise agreement. Already a number of Arab states (particularly Egypt) as well as the Soviet Union have played a significant role in softening the stand taken by Arafat and his friends. The PLO will not indefinitely be able to oppose those who supply them with political, financial, and military support, for without that support the PLO could not exist for long.

VII

At this writing, in mid-November 1974, Israel seems to have no choice but to negotiate sooner or later with the PLO which, for better or for worse, has been recognized as having representative status by the great majority of U.N. members, including King Hussein's Jordan. Refusing to talk would leave no outlet except a war that might well end in a political catastrophe for Israel, considering the worldwide economic, financial and diplomatic power at the disposal of the Arabs. To attempt a dialogue with the PLO, on the other hand, would test the goodwill and the capacity for compromise of the moderate wing of the fedayeen "headquarters." In this regard it is significant that neither the PLO nor the Arab states have defined the "legitimate national rights of the Palestinian people." In a sense, this lack of precision is reassuring since it does not limit future negotiators' freedom of maneuver.

Although the Israeli leaders no longer dispute the existence of a Palestinian people,¹² they remain firmly opposed to the creation of an independent state which would be inserted between Israel and Jordan. Indeed they fear that the new entity—made up of the West Bank and the Gaza Strip—might become a hot bed of irredentism and the "spirit of revanche" of the Palestinians, particularly since it would not be economically viable.

Several studies on the subject, notably in Israel, have nevertheless come to less pessimistic conclusions. The West Bank of the Jordan is a particularly fertile territory where agriculture has traditionally flourished. There are small and medium-sized industries there. The future Palestinian state could profit from large investments by the oil-rich Arab countries which would permit it to develop rapidly and to absorb a not unimportant number of the refugees, particularly those now in Syria and Leb-

¹² The Labor Party adopted a 14-point electoral platform on November 28, 1973, in which it explicitly recognized the existence of a Palestinian people.

anon. The Palestinian diaspora is rich in intellectual elites: it has more than 50,000 members with university degrees, many of whom could contribute to the economic development and the well-being of the Palestinian people.

It is certainly unquestionable that a state stretching along both banks of the Jordan—where 75 percent of the Palestinians already live—would constitute a more stable economic and political entity and one therefore less tempted by irredentism. The leaders of the PLO must wish as strongly, if not more so than the Israeli officials, to transform the Jordanian kingdom as it was before the 1967 war into a Palestinian state, but their ambition cannot be realized as long as the Hashemite monarchy exists in Amman.

All the same, geopolitical imperatives will end by asserting themselves even if Egypt does not succeed in reconciling King Hussein and Arafat. If a “mini-state” were to be created on the West Bank of the Jordan and in the Gaza Strip, it would probably eventually establish close links, perhaps of a federal kind, with Hashemite Jordan. We have even heard certain fedayeen officials speak of a confederation encompassing these two Arab countries as well as Israel. For them, this would be a first step toward the democratic Jewish-Arab Palestine for which they are praying.

A utopian project? Certainly, given the present state of affairs. But everything would become possible the day Israelis and Palestinians consent, whether they like it or not, to recognize one another’s “legitimate national rights” whose nature and scope they would work out before studying the question of mutual co-operation indispensable to the flowering of the two peoples.

AFTER RABAT: MIDDLE EAST RISKS AND AMERICAN ROLES

By Richard H. Ullman

THE Palestine Liberation Organization (PLO), long an amorphous but powerful force present in the wings, has emerged from October's Arab summit conference at Rabat as a leading formal actor in the tangled relationships of the Middle East, a role reinforced by the PLO's reception at the United Nations in November. In one sense, this is a desirable development. Ever since the basic configuration of Middle Eastern international politics was set in the aftermath of World War II the Palestinians have been deprived not only of statehood, but also (and concomitantly) of the physical and moral resources which come with formal authority. In an era when in some parts of the world statehood is increasingly becoming an empty shell, the nation-state is alive and vigorous in the Middle East and elsewhere in the developing world. In this sense, therefore, the Palestinians deserve their place in the sun.

In another sense, these developments may forebode disaster. They make the chances of the outbreak of yet another round of Arab-Israeli warfare—this time potentially a catastrophic round—very much greater. The purpose of this article is to conjecture why the risks of war may now be so much greater, and to suggest what the United States might do to prevent new major warfare from occurring. Its purpose, also, is to ask what interests the United States has in the relationship between the Israelis and their Arab enemies, and to ask what U.S. policies might further those interests.

II

Less gloomy forecasts might also be made. For instance, one could argue that the accession of the PLO to formal authority not only is desirable as a means of giving due acknowledgment to a Palestinian identity, but is desirable as well because—provided it is met with an enlightened and creative response on the part of the Israelis—it suddenly makes possible a radical departure from the past structure of Arab-Israeli relationships. At the end of this line of argument lies a vision of a Palestinian state side by side with Israel, the two entering into harmonious and

mutually beneficial economic relations, old enmities gradually atrophying under the impetus of concrete cooperation toward progress.

This vision was impossible, it might be argued, before the formal emergence of the Palestinians. So long as they had no territorial base of their own, all territory was potentially open to their claims. Yasir Arafat and his colleagues in the PLO are, it is often asserted, not only "moderate" by comparison with other groups aspiring to speak and act for the Palestinians, but also—perhaps—genuinely moderate in their willingness now to abjure terrorism and ultimately even to recognize Israel's existence as a state. Now that they have a potential territorial base, they may soon discover that half-a-loaf is, in fact, better than none, and that a genuine peace within circumscribed frontiers is better than the constant uncertainties of unending hostility in the search for the whole loaf. Since Israel occupied the West Bank in the 1967 War, there have, in fact, grown up highly interdependent and co-operative relationships between the Israeli state and the Arab (mostly Palestinian) inhabitants of the region. The task of statecraft, so this argument runs, is to perpetuate these cooperative relations while at the same time granting the Palestinians a more equal status and the security of operating from the base of their own nation-state.

A harmonious relationship between Israel and a Palestinian state may be one vision of the future made possible by Rabat. Much more likely, however, is a set of grimmer alternatives. One would, indeed, include the creation, through negotiation with Israel, of some sort of Palestinian state. But, rather than harmony, new conflict and war would eventually follow as the Palestinians—perhaps under a more radical successor leadership—reasserted their claims to Israeli territory. A second and even more likely scenario would depict no Palestinian state at all, as Israel refused to cede occupied lands to a movement pledged to its destruction; and there would be, instead, renewed war between Israel and its present Arab neighbors, augmented by a reinforced and emboldened Palestinian movement.

These alternatives derive from the profound hostility which the Palestinian leadership feels for Israel and the deeply ingrained hatred of Israel which has been imbued in the Palestinian people for over a generation, combined with the deep mistrust which the Israelis feel for those who have been the agents

of terror against them. The Palestinians are the one Arab group with a genuine grievance against Israel, the one group dispossessed by the founding of the Israeli state in 1948. They remain a highly nationalistic people the basis of whose nationalism is their claim to the territory of another people whose nationalism is equally strong.

These grim alternatives also derive from the dynamics of the struggle for leadership within the Palestinian movement and within the Arab world at large. Playing upon the pervasive hatred for Israel often becomes the route to political success. No matter how successful as leaders they might otherwise be, those who favor coexistence with Israel are always vulnerable to the attacks of those who preach an apocalyptic vengeance and who equate compromise with betrayal. Revolutionary politics favors the extremist and the fundamentalist over the moderate and the compromiser. Otherwise moderate leaders are thus driven to embrace militant positions on some issues in order to protect their power to deal with others. In the Arab world, relations with Israel—indeed, often the very existence of Israel—invariably is such an issue. Given this well-rehearsed political dynamic, one does not need to distrust the present Palestinian leadership, nor does one need to posit an especially marked rigidity on the part of the Israeli leadership, to feel that the risks of new war have been substantially increased by the results of the Rabat conference.

Rabat in effect symbolized the ascendance of the assumption that history belongs to the Arabs and not to their enemies. Indeed, such has long been the Arab view. New and vastly greater oil revenues, however, make it possible to shorten “history” from decades to years, and perhaps even to months. Arab resources are now many times those of the Israelis. The much-vaunted (and, by the Arabs, deeply resented) flow of funds to Israel from Jews abroad, particularly from the United States, is now a derisory trickle compared with the enormous stream of oil dollars. Arab political leaders can tell their military commanders that price is truly no barrier to acquiring the most modern and sophisticated weapons systems. Final success on the battlefield must at last seem near at hand.

III

These developments probably spell the failure of Secretary of

State Kissinger's attempts thus far to bring about a Middle Eastern peace. The essence of his approach has been to induce existing states—notably Egypt, Syria, and Jordan, with Saudi Arabia deeply but not directly involved—to move step-by-painstaking-step toward a *modus vivendi* with Israel. The Palestinians were notably left out of this formulation. They were not among the pieces on Dr. Kissinger's chessboard,¹ just as they were also absent from the preferred futures of Arab leaders like President Sadat, King Hussein, King Faisal, or even President Asad. The internal dynamics of Arab politics, however, made it impossible for Sadat, Hussein, Faisal, and others to continue to overlook the Palestinians now that oil revenues have given them the means to redress Palestinian grievances. These leaders seem to have concluded that any present or future costs of embracing the Palestinian cause are now outweighed by the risks to them and their regimes in continuing not to do so. (This is not to say, incidentally, that the Kissinger-Sadat alternative future wholly neglected the Palestinians; it did not, but it contained within it only a vague and implied hope for the achievement, someday, of a Palestinian state based upon the West Bank and the Gaza strip. The Palestinians, of course, were not prepared to wait for this implied eventuality to become actual.)

The degree to which the Egyptian, Syrian, and Jordanian leaderships in fact committed themselves to the pursuit of Secretary Kissinger's road is unclear. Nor is there evidence that Saudi Arabia, its supposed pro-American tilt notwithstanding, ever took on a similar commitment. At Rabat, indeed, the Saudis appear to have played a most uncompromising role—a not surprising turn from a leadership fundamentalist in nature and driven by (among other factors) the desire of an ill king to pray in an Arab Jerusalem once more before his death.

Therefore, with the Palestinians playing a newly pivotal role in intra-Arab politics and with the Arab world as a whole seemingly convinced that oil will turn the tables on Israel, Rabat and its aftermath seem to have made new war much more likely. It could break out in a number of ways, ranging from Arab attacks in response to Israeli rejections of demands for new withdrawals from the occupied territories to an Israeli preemptive war trig-

¹ But one cannot be absolutely certain they were not; part of Kissinger's negotiating method has been deliberate ambiguity—to make sure that none of the parties know exactly what pieces *are* on his board.

gered by circumstances such as a new Arab "war of attrition," evidence of a coming Arab attack, or simply a feeling that a blow must be struck before the tables are hopelessly turned. Who knows what the Israelis might do if they feel they are being, or will be, overwhelmed? It is safe to say, however, that they would not surrender—the so-called "Masada complex" runs deep. And can it safely be predicted that they would not, in extremis, hesitate to destroy targets such as the Aswan Dam, oil facilities in many countries, and the great Arab cities of Cairo, Damascus, Beirut, and Baghdad if they felt threatened with destruction themselves? Nor is it likely that such a conflict—greater in scope and intensity than previous Arab-Israeli wars—would not involve outside forces. Secretary of State Kissinger feared a U.S.-Soviet clash in October 1973. He would have more reason to be afraid in a future Middle Eastern war.

IV

In this situation, the only potential stabilizers with any chance of success are the two superpowers. If the United States and the Soviet Union were to introduce their own forces into demilitarized zones between Israel and its neighbors, and to take measures to restrain deliveries of arms to all the belligerents, the Israelis would feel sufficiently reassured to withdraw from occupied territories; such a demonstration of *force majeure* would also almost certainly lead the Palestinians (and their Arab supporters) to accept the fact that the existence of Israel was no longer an issue subject to dispute, and that their own territorial expression would be no more—but no less—than the West Bank and, perhaps, Gaza.

Various models of U.S.-Soviet collaboration along these lines might be sketched out, all of them involving Israeli withdrawal to boundaries that thenceforward would be internationally guaranteed. They are unlikely ever to be made actual, however, because the regional interests of the two superpowers diverge in so many respects. While the Soviet leadership obviously does not wish to see a wider war erupting from an Arab-Israeli conflict, it has nothing like the same interest as does an American administration in seeing an end to Arab-Israeli violence. Indeed, not only does Soviet influence within the Arab world almost certainly depend upon the continuation of high levels of Arab-Israeli hostility, but the Russians must wish nothing but ill (short

of annihilation) for a state such as Israel, which has attracted as settlers so many of the Soviet intellectual, cultural, and scientific elite.

U.S.-Soviet collaboration would certainly be the most desirable way to prevent the outbreak of new Arab-Israeli war because it would explicitly involve the U.S.S.R. in a guarantee of Israel's existence and security, and thereby eliminate an element which, more often than not, has been a force for instability in the region. Desirable also would be participation by others, such as Canada or the members of the European Community. However, any role more far-reaching than a diplomatic one by Western powers other than the United States remains unlikely: the events of the Middle East seem psychologically too remote, and the vulnerability of European economies to possible Arab oil pressures still seems too great.² Yet desirable though a collaborative effort might be—especially one including the U.S.S.R.—it would not be essential. It is the role of the United States which is critical, and it is very likely that unilateral American action would be sufficient to create the conditions necessary to forestall the outbreak of new war. While U.S. Middle Eastern policy has fluctuated over the course of the past three decades, one element has consistently been present—successive administrations have firmly stated that the United States will not allow Israel to be destroyed. In recent years, such a declaratory policy has meant essentially two things. First, the United States will supply Israel with war matériel it needs to defend its independence. Second, the United States will balance Soviet intrusions into the area and, indeed, work to neutralize Soviet influence. (In some instances “neutralizing Soviet influence” has meant economic and even military assistance for Israel's enemies.)

Most Americans who have concerned themselves with the military balance in the Middle East—including the American military establishment—have until now concluded that supplying the Israelis with the weapons they need would be sufficient to maintain Israel's security. They are no longer so confident that supplies alone will be enough. Processes of modernization

² Statements made by representatives of Canada and of the Western European states during November's U.N. debate seemed to support a potential settlement much along the lines urged by this article. They leave ambiguous, however, any definition of possible roles by the governments on whose behalf the statements were made. Such ambiguity was obviously intentional. But, as this article goes on to argue, in the new phase of the Middle East conflict ambiguity no longer is in any way productive.

throughout the Arab world have considerably increased Arab abilities to fight a sustained war. And the decisive change in the economic balance between Israel and the Arab states brought about by the four-fold increase in oil prices over the past 18 months has removed all resource constraints from Arab armament efforts. It has also vastly increased the incentives for arms suppliers the world over to contribute the fruits of the latest and most sophisticated technologies to any Middle Eastern customer willing to pay for them. These arms suppliers include the United States—a fact which must work to make less credible the existing American commitment to Israel.

These developments have introduced additional strains into the U.S.-Israeli relationship. U.S. efforts to resupply the Israelis after the outbreak of the Yom Kippur War were highly effective, but late in coming. Since then, substantial American supplies have flowed to Israel, but they have not been at all what the Israelis have felt that they need in order to provide for their security. In some instances, American stocks simply have not been available. In others, supplies have been slowed as part of Secretary Kissinger's efforts to induce moderation on all Middle Eastern sides. Now, with a new war more likely, the Israelis are asserting—and not simply for bargaining purposes—that their inventories in some vital areas are critically low.

Thus, the vast transformation in the relative abilities of the two sides to command resources, together with the gradual but steady improvement in the fighting abilities of Arab forces, have worked and will continue to work to undermine the credibility of the American commitment to Israeli independence. Several years ago, Senator Fulbright, hardly regarded as pro-Israeli in his sympathies, observed that the United States paid the price of being identified by the rest of the world as Israel's ally, and yet—because the Israelis were not sufficiently confident of the U.S. commitment—we did not derive the benefits which an actual alliance might bring. He suggested that we might remove any shred of ambiguity, perhaps even going so far as to station American military contingents on Israeli territory. Such concrete evidence of a U.S. commitment would, Fulbright implied, give the Israelis the confidence required to abandon their dependence for security upon holding Arab territory; in turn, it would give Washington the means to insist that the Israelis must withdraw from territories seized during the 1967 war. And so long as they

had assurances of a prompt and effective U.S. military response to future large-scale Arab attacks, they should also be willing to give up the choice of launching a preemptive war of their own.

Assuming that Senator Fulbright put forward his suggestion in good faith (and not, as his more recent statements sometimes seem to suggest, in order to make the U.S.-Israeli relationship subject to a blocking vote by one-third of the Senate, that fraction sufficient to prevent ratification of a treaty), even going so far as he proposed might not give the Israelis all the assurance they feel necessary. While they might be able to give up the option of preemptive war, complete withdrawal from the occupied territories might be difficult for them even with a U.S. presence. Memories of 1967, when U.N. peacekeeping forces were simply withdrawn at Arab requests despite Israeli wishes, would continue to be powerful. One American administration might not wish to honor the pledges of its predecessor. Particularly with an issue as politically divisive as overseas involvements, today's commitments would not irrevocably bind tomorrow's politicians. Even an offer of an alliance would, therefore, put the Israeli leadership in something of a dilemma: they would undoubtedly agree that only in the presence of a concrete American commitment could they—in the absence of credible Arab assurances—afford to accept the increased military vulnerability that would come from surrendering occupied territory. On the other hand, in order to do so they would need to be convinced that the identity of interests between Israel and the United States was perceived in Washington as being far-reaching indeed, and not one which might be easily disavowed by a future American administration.

V

It is worth arguing, for the moment, that no such far-reaching U.S.-Israeli identity of interests exists, and that, save for the undeniable influence of a religious and cultural heritage shared between American and Israeli Jews, there are no overriding American interests at stake in Israel's survival as a state. Such an argument would recognize, first, that despite all the history dating back to biblical times of continuous Jewish settlement, the presence of large numbers of Jews—and a modern Jewish state—in the area that was Palestine is essentially another of the anomalous outcomes brought about by the global redistribution

of power at the end of World War II; second, that the global configuration of power has now so changed that, given their vast new wealth, the Arabs may never be induced to accept the existence of an Israeli state within their midst; and third, that what the Arabs insist upon is not annihilation of the Israelis, in the sense that Hitler sought to exterminate the Jews, but rather, the destruction of the Israeli state, with its inhabitants (but not necessarily all of them) departing.

A conclusion which might be drawn from these arguments is that the United States should no longer attempt to prevent the inevitable from happening. Rather than continuing to uphold the anomalous Israeli state, enlightened American statecraft should act to facilitate the inevitable transition in accord with the new realities of power, and should work to provide not only for the resettlement of the Palestinians but also (ironically) for the resettlement of the Israelis. No policy, it might further be argued, would better ensure that the Arabs will not play the preeminent global role to which they now aspire: once they succeed in removing the Israeli "foreign body" from their midst, they will fall upon each other in a series of internecine quarrels that may outlast the century. Nothing unites like a common enemy; nothing divides like victory.

Such a solution might perhaps be described as "Metternichean." The Austrian Chancellor was not above sacrificing the interests of a small state in order to further a larger design. Yet in the case of the present-day Middle East, such a solution would really be viable only if one could be certain that "post-Israel" conflict in the area would not, like the Arab-Israeli conflict, be likely to spread beyond the region. Needless to say, there can be no assurance of such insulation.

Such speculation is idle, however. American diplomacy is not and never has been "Metternichean," the Secretary of State's public image notwithstanding. The imperatives of American domestic politics have made it necessary for American foreign policy to serve a set of overarching, transcendental values. These values pertain in part to the liberal, pluralistic nature of American society, and to the consequent necessity that the deeply-felt concerns of important groups within it should have significant effects on both domestic and foreign policy. In the case of Israel, this necessity is compounded by the widely felt humanitarian anguish at the fate of the European Jews during the Second

World War. Neither the moral nor the cultural bases for the American commitment to Israel could be disregarded without serious damage to our national self-esteem.

Yet there are more fundamental values at stake. These values have, in various ways and in various periods, always pertained to the ideal of preserving freedom—preserving freedom within the United States and propagating democratic, pluralistic forms of government abroad. The “tragedy of American diplomacy” is that along the way, in the service of this ideal, so many flagrantly antithetic actions have been taken in order to prop up so many patently authoritarian regimes, climaxing with the debacle of Vietnam. The result has been such a cheapening of the currency of discourse that the core of values underlying American diplomacy has become almost unrecognizable; a concomitant is a pervasive and widespread desire to retreat from international responsibilities, and the coming to maturity of a generation of Americans imbued with a cynicism and skepticism regarding the notion that the United States should play a role in assuring the survival of free governments anywhere.³

In the case of Israel, the consequences of these attitudes are indeed tragic. For Israel is one of those relatively few societies—including the liberal democracies of Western Europe, North America, Australasia, and Japan—clearly devoted to the pursuit of paths leading to the extension of human liberty as it is commonly conceived in the United States, and to those values to which Americans have been rhetorically committed in their foreign policy throughout their history. In consequence, the United States has stood since World War II in a special relationship to those societies, with a special concern for their survival and political well-being.

During the entire postwar era, successive administrations in Washington have justified the preservation of liberal democratic governments abroad as a worthy goal of American foreign policy by the contention that without their preservation the survival of free institutions in the United States would be jeopardized. This is, to say the least, a very difficult contention to prove, and the difficulty of providing proof has been one factor underlying

³ This is not to suggest that neo-isolationism is the predominant attitude. It coexists uneasily with others, some of them contradictory. One contradictory attitude which cannot altogether be dismissed is a Realpolitik which argues that the United States should intervene with military force to seize Arab oil production facilities in order to assure a supply of moderately priced petroleum.

current neo-isolationist attitudes among Americans. An argument perhaps more effective in the long run might have been one which did not depend upon such an instrumental linkage with American domestic conditions, but which instead put the case for helping free societies squarely on the basis of the intrinsic value of preserving and extending non-authoritarian government. An American commitment to Israel's survival might well be justified, therefore, not by attempting to relate the survival of Israeli institutions to that of American institutions—or, for that matter, to ethnic and religious linkages—but for the value of the Israeli experiment itself.

VI

The intrinsic importance of the survival of the Israeli state is, in fact, an unarticulated premise shared by many Americans concerned with issues of foreign policy. Certainly it is one shared by President Ford and Secretary Kissinger, and it extends far beyond the Jewish community. Yet most of these same Americans simultaneously take for granted the assumption, supported by opinion polling over the last several years, that the American polity will not stand for the acquisition of additional overseas commitments. This, of course, is one of the most profound consequences of the Vietnam War, and one more reason why American participation in that war is likely to be seen by future historians as the cause of a major turning point in international history.

Yet, policy-makers and the "attentive public" concerned with foreign policy should carefully consider the potential consequences of not making even more clear the solidity of the American commitment to Israel's survival. It has been argued above that the United States, more than any other single actor in the Middle East drama, is capable of deterring future Arab attacks upon Israel, of preventing preemptive war on the part of the Israelis, and of moving the Israelis along more conciliatory paths that will help lay the foundation for a long-term settlement. It is arguable, also, that the cost of such an American role to U.S. interests in the Arab states—including oil supplies—would not be prohibitive. Indeed, it is likely that Arab leaders such as Sadat, Hussein, and Faisal would actually welcome such an American commitment (although they could not say so publicly) so long as it were accompanied by Israeli withdrawals. For

this might make it possible for them to resist Palestinian appeals for greater military efforts against Israel without being plausibly held up as traitors to the Arab cause.

An absolutely unambiguous American commitment—one perhaps including the stationing of contingents of American forces in Israel—would not be easy politically for any administration. But the political consequences of an Israeli defeat would be far worse. An obvious adverse political consequence would be turmoil in American cities with significant Jewish populations. Even more explosive would be the political effects of the United States being, perhaps, dragged into a future ongoing Arab-Israeli war in order to counteract Soviet participation—an ambiguity clarified too late.

If there ever were a political situation which cried out for measures to reduce ambiguity, it is the present stage of conflict in the Middle East. The relatively ambiguous nature of the present American commitment encourages the Palestinians along the road of irredentism and silences voices for moderation both among the Palestinians themselves and among the other Arab peoples. It induces Israeli military leaders and politicians alike to think in terms of worst-case scenarios, and therefore not to make the sort of territorial concessions which will be so vitally necessary if a genuine end to hostilities in the Middle East is ever to come. And it does not deter those in the Soviet Union who, for reasons of domestic and international politics alike, would pursue adventurist courses. Thus the combination of a penchant for keeping options open, so much a characteristic of American foreign policy in the last decade, together with a widespread view that an unambiguous commitment cannot be managed politically, is likely to produce the worst possible outcome—a war in which the Israelis might suffer drastically and in which the United States might very well find itself, willy-nilly, involved.

It is at least arguable—and it is argued here—that *any* certainty in the U.S. Middle Eastern role is now more desirable than the role which American diplomacy has played since the Yom Kippur War. Since the United States finds it politically impossible to wash its hands of Israel (one type of certainty), an overt and explicit commitment to Israel's defense—including even the stationing of U.S. military contingents in Israel—remains the most logical choice for those who would prevent a

new war. Since 1945, overseas deployment of American military forces has done much to stabilize regions of potential conflict such as Germany and Korea. Beneath the umbrella of deterrence, regional political wounds have healed, and peace has been preserved.

Until very recently an explicit American commitment to Israel's survival seemed to most observers unnecessary. Indeed, a less ambiguous commitment would have worked against the delicate diplomacy which Secretary of State Kissinger set in motion in the aftermath of the Yom Kippur War. Those diplomatic efforts seem now to have failed. One should not make too much of this failure: the margin between success and failure in diplomacy is often extremely narrow, and we do not know just how narrow was the margin which tipped Arab governments along the path which led to Rabat, rather than to the sort of *de facto* (and potentially *de jure*) settlement which Secretary Kissinger had in mind. Now that the nature of the game in the Middle East has changed, however, and a new and potentially unstable—and destabilizing—Palestinian entity has emerged, the time is past when ambiguity in the American role might have proved useful.

THE UNITED STATES AND CHILE: ROOTS AND BRANCHES

By Richard R. Fagen

ON September 16, 1970, in a background briefing to the press, Henry Kissinger spoke about the September 4 electoral victory of Salvador Allende in the following way:

The election in Chile brought about a result in which the man backed by the Communists, and probably a Communist himself, had the largest number of votes by 30,000 over the next man, who was a conservative. He had about 36.1 percent of the votes. So he had a plurality. . . .

According to the Chilean election law, when nobody gets a majority, the two highest candidates go to the Congress. The Congress then votes in a secret ballot and elects the President. That election is October 24th. In Chilean history, there is nothing to prevent it, and it would not be at all illogical for the Congress to say, "Sixty-four percent of the people did not want a Communist government. A Communist government tends to be irreversible. Therefore, we are going to vote for the No. 2 man." This is perfectly within their constitutional prerogatives. However, the constitutional habit has developed that Congress votes for the man that gets the highest number of votes. But then, of course, it has never happened before that the man with the highest number of votes happens to represent a non-democratic party, which tends to make his election pretty irreversible. I have yet to meet somebody who firmly believes that if Allende wins there is likely to be another free election in Chile. . . .

Now it is fairly easy for one to predict that if Allende wins, there is a good chance that he will establish over a period of years some sort of Communist government. In that case you would have one not on an island off the coast which has not a traditional relationship and impact on Latin America, but in a major Latin American country you would have a Communist government, joining, for example, Argentina, which is already deeply divided, along a long frontier, joining Peru, which has already been heading in directions that have been difficult to deal with, and joining Bolivia, which has also gone in a more leftist, anti-U.S. direction, even without any of these developments.

So I don't think we should delude ourselves that an Allende takeover in Chile would not present massive problems for us, and for democratic forces and for pro-U.S. forces in Latin America, and indeed to the whole Western Hemisphere. What would happen to the Western Hemisphere Defense Board, or to the Organization of American States, and so forth, is extremely problematical. . . . It is one of those situations which is not too happy for American interests.¹

¹ As reprinted in *Multinational Corporations and United States Foreign Policy*, Hearings before the Subcommittee on Multinational Corporations of the Committee on Foreign Relations, United States Senate, Ninety-Third Congress, Washington: GPO, 1973, Part 2, pp. 542-3.

I have quoted at length because the briefing is so revealing of the thinking of President Nixon and Mr. Kissinger about Chile and its implications: the cold war rhetoric of Allende as a Communist (he was of course a member of the Socialist Party and had devoted much of his political life to doing battle with the Communist Party); the suggestion that the Chilean Congress could and perhaps should vote the conservative Jorge Alessandri into the presidency; the concept of the "irreversibility" of the 1970 election because Allende would probably establish a "Communist government"; the notion that Chile—being on the continental landmass of Latin America—is even more of a threat than Cuba (which could be and was isolated); the references to Peru, Argentina, and Bolivia.

In retrospect the briefing is even more revealing because we now know that almost three months earlier, on June 27, the 40 Committee, chaired by Kissinger, met in the White House, considered actions to take if Allende were elected on September 4, and authorized the CIA to spend \$400,000 covertly in opposition to the Allende candidacy. In July, the National Security Council Staff began work on its top secret Study Memorandum 97 on policy options toward Chile, and on September 18, Kissinger reportedly proposed to the 40 Committee that the CIA be authorized to expend \$350,000 to bribe Chilean congressmen to vote for Alessandri.² After the congressional vote confirmed Allende in office, as we know from CIA Director William Colby's testimony before a House Armed Services subcommittee, the Agency was authorized to spend eight million dollars to "destabilize" the Allende government in the period 1971–73. (Given Chile's inflation and the black market in dollars, the real purchasing power of the eight million dollars was probably closer to 40 or 50 million.) As dramatic and newsworthy as they are, however, all of these subsequent revelations should not be allowed to deflect attention away from the most basic fact of all, clearly stated in the briefing: at the highest levels of the American government, long before Chile moved to expropriate the

² State Department officials, while tacitly admitting that the money was authorized, vehemently deny that it was actually spent. The logic of the situation in Santiago supports their denial. Intelligence operatives on the spot certainly knew that Christian Democratic congressional votes were not for sale in sufficient numbers to prevent an Allende victory. They also knew that should the word of an attempt to buy votes get out, a scandal of hemispheric if not global dimensions would ensue. This pragmatic evaluation and advice should not be given a *post facto* moral interpretation, for the evidence suggests that it had no such moral content at the time.

copper companies, an Allende Presidency was seen as an extremely serious threat to the interests of the United States. Most of what came after was the "logical" working out of available responses to this perceived threat and thus essentially involved only the *implementation* of policies which were foreshadowed in the summer and fall of 1970.

II

Why was Chile, situated thousands of miles to the south, with less than five percent of the population and only a fraction of one percent of the gross national product of the United States, considered such a threat by the leaders of this country? A full explanation would have to include a patient detailing of Monroe Doctrinism—150 years of attempts to establish North American political and economic hegemony in the hemisphere (by fair means and foul), of multiple interventions (armed and otherwise) in Panama, Mexico, Cuba, the Dominican Republic, Central America and elsewhere. Also necessary would be a short course in the globalism of U.S. foreign policy since the end of the Second World War, the ideology of anti-communism and the cold war, and the swelling of the national security apparatus. But the story could not end there, for all of this would only suggest the general backdrop against which the more specific drama of U.S.-Chile relations was played out.

This more specific drama was both national and global, involving not only Washington but also Washington's view of how the world works, ought to work, and can be made to work. At least five linked factors run through the drama; they are not exclusive of each other, nor is any taken individually a sufficient explanation of U.S. policy. Together they suggest the manner in which it was possible to view events in Chile as vital to and potentially disastrous for the United States.

The Nixon-Kissinger White House—who's in charge, who's in touch: Richard M. Nixon was only 18 months into his first term when the possibility of an Allende victory in Chile was first acted on. He was not a man to view that prospect with equanimity. All accounts agree that the President—a self-declared friend and protector of corporate interests and investments in Latin America, the man who had commissioned the hard-line, security-oriented Rockefeller Report on the Americas in 1969, and an unrelenting hawk on Cuba—took an active and leading

role in defining Chile as an important problem. Moving in a circle dominated by business and corporate ideology and interests, he was undoubtedly in touch with others who shared his fears and perspectives. As E. J. Gerrity, the Senior Vice President of ITT, wrote to his Chairman of the Board, Harold Geneen, in October of 1970, "As we dig into this story, we find specific, clear signs that the Nixon Administration—that is, the President himself—views the developing situation in Chile with grave personal concern."³

This concern was fully shared by Henry Kissinger, the President's adviser on national security affairs. So all-consuming was his preoccupation (reflecting the President's) that for the first three months of its existence, he actually took over the chairmanship of the special group working on Chile policy in the autumn of 1970. Composed of officials from the State, Defense and Treasury Departments, as well as specialists from the National Security Council, the group would normally have been directed by Charles Meyer, the Assistant Secretary of State for Inter-American Affairs. But there are indications that Kissinger was too distrustful of Meyer and too personally concerned with Chile to supervise from a distance. Commenting on the workings of the group, one official recently said, "It was a big blow to the State Department. . . . It was a Kissinger group. . . . It stuck in my mind because Kissinger, in effect, became a Chilean desk officer. . . . He made sure that the policy was made in the way he and the President wanted it."⁴

The two faces of détente—our place, their place: The game of détente as played in the early years of the Nixon-Kissinger White House was extremely complex. While the Administration talked about peace in Southeast Asia, troops moved into Cambodia. New relations with mainland China were being explored while great care was being exercised to assure the U.S.S.R. that this was not an "anti-Soviet" move. The man and men who had made careers out of their anti-Communist toughness were busy

³ *Multinational Corporations and United States Foreign Policy*, op. cit., p. 701. As the ITT papers also suggest, corporate attempts to gain access to top decision-makers to urge a hard line against Chile were almost continuous and largely successful during 1970 and 1971. For example, in one memo alone, dated September 14, 1970, J. D. Neal of ITT mentions conversations with Viron Vaky, Latin American adviser to Henry Kissinger, Charles Meyer, Assistant Secretary of State for Inter-American Affairs, Attorney General John Mitchell, and the wife of Secretary of State William Rogers. See *Multinational Corporations and United States Foreign Policy*, op. cit., pp. 599–600 and *passim*.

⁴ "Kissinger Called Chile Strategist," *The New York Times*, September 15, 1974, p. 1.

covering their flanks whenever possible lest they now be accused (as they subsequently were) of being "soft" on communism.

In this context of Realpolitik—openings to established Communist regimes coupled with continuing toughness and aggressiveness toward national liberation struggles—the possibility and then the actuality of an Allende victory assumed a special meaning. Once again, as had happened before in Cuba, socialism—which is to say "communism"—threatened to get a foothold in the hemisphere. This could not be allowed, either domestically because of the potential charges of "softness," or internationally because of the encouragement that it might give to the Soviet Union.

Not since the Cuban missile crisis of 1962 and the Kennedy-Khrushchev agreements on Cuba and Western and Eastern spheres of influence had the notion that Latin America was "our turf" been so seriously challenged. It was precisely during the autumn of 1970 that the sharpest messages were sent to the Soviet Union concerning the alleged construction of a naval base at Cienfuegos, Cuba. Nor could "the electoral way to Marxist victory," the line pushed by the Soviets throughout the postwar period, be allowed to pass unnoticed and unacted upon. This was particularly the case in Latin America where a quarter-century of cold-war theory and practice argued, as one high official has said, that "the mere existence of a Marxist government was inimical to U.S. interests." It did not matter, in this view, that the Soviets were not directly "responsible" for the Allende victory, or even that once in power Allende would not necessarily be their "pawn." Historical, ideological, and tactical reasons—global in their reach but hemispheric and even domestic in their specificity—argued that the Popular Unity government would have to be opposed in hard-line fashion.

The Italian-French connection—European dominoes: Opposition to "the electoral way to Marxist victory" was deeply rooted in a larger vision of politics in the postwar world. As has been pointed out by a number of commentators, the political lessons taught by the Allende victory in Chile were thought to be most dangerous to an increasingly fragile Western Europe, particularly Italy and France. It was there that powerful Socialist and Communist parties were always threatening to coalesce into a popular front which, if given a bit of luck (plus negligence and incompetence on the part of the "democratic" forces) might ac-

tually be voted into office. Since the days of massive Marshall Plan aid to Europe and covert U.S. support to the anti-Communist parties in Italy in the late 1940s, the fear of an electoral transition to socialist or popular front rule in one or more key European countries had stalked the corridors of State, Treasury, the Pentagon, and the CIA. And few, by upbringing, temperament, experience, or world view were more sensitive to that possibility or more fearful of it than Henry Kissinger.

The domino thinking undergirding this fear begins with a hypothesis about the demonstration effect of Chile: if the Chileans can do it, so the argument goes, then certainly Italian and French Socialists and Communists will have new life breathed into their historical vision—as will the Soviets. They will redouble their efforts and refine their tactics, learning from the successes and failures of Chile. Should a popular front electoral victory actually come to pass in Western Europe, the demonstration effect will be even more direct and marked. If France or Italy, then??? Furthermore, the specific consequences for NATO, U.S. investments, European integration, and the five-pole balance of power are potentially disastrous. It is only a slight exaggeration to say that Kissinger would see in such a scenario the possible unbuckling and eventually the destruction of much of what he values in Western civilization.⁵ And to think that it all began with Chile, that skinny country in South America so Latin in its language and culture, and yet so European in its politics and ethnicity!

The hemispheric connection—local dominoes: The domino thinking applied to Salvador Allende and Latin America was significantly different than in the European case, but in its own way equally complex. Only the most rigid of old-line cold warriors saw countries as diverse as Peru, Bolivia, and Argentina “going Communist” as a direct result of the election of Allende. Almost no one feared a demonstration effect à la France or Italy. Nowhere else in Latin America were the Communist and Socialist parties strong enough to make an electoral run for power in a classic popular front. In fact, in less than half the countries were elections even being held in any meaningful sense. What *was* feared was that the Popular Unity government would pro-

⁵ There is much in his interview with James Reston, as published in *The New York Times* of October 13, 1974, to support this interpretation of Kissinger's view of Western civilization and the threats thereto.

foundly affect the correlation of political forces on the landmass of South America, link economic nationalism more directly to socialist forms and solutions, and give a new and difficult-to-counter legitimacy to anti-Americanism and the nationalization of banks, large industries, and subsoil resources.

The specific arguments (and fears) were diverse, involving strategic, economic, and political questions. To those concerned with guerrilla movements—especially with regard to Bolivia—a socialist Chile loomed as a potential “safe haven” from which insurgent bands could operate. For those unsure of the depth and direction of Peruvian nationalism under the military government, a socialist Chile was seen as strengthening the most anti-imperialist of the Peruvian officers. Allende’s Chile and an increasingly nationalistic Peru were sure to give aid and comfort to each other in the struggle against North American corporate interests. For those preoccupied with troubled Argentina and fearing the second coming of Juan Peron—yet another unknown quantity—a socialist Chile was viewed as certainly strengthening the hand of the Left and the youth within the extensive Peronista movement. And so it went, country by country and problem by problem. One can almost hear the harassed U.S. officials sighing, “We’ve got enough problems without Allende; with him, everything doubles.”

Chile the showcase—after all we’ve done!: Allende ran for the Presidency of Chile in 1958, his coalition of Socialists, Communists, and smaller parties losing by only 35,000 votes to Jorge Alessandri. Since that time, and dramatically during the 1964 election when Allende ran against Eduardo Frei, U.S. policy was steadfastly geared to preventing a Left victory in Chile. William Colby has testified that three million dollars of covert CIA funds went into the anti-Allende campaign in 1964, other estimates run as high as \$20 million, and millions more entered Chile from European supporters of Frei and the Christian Democrats (U.S. policy-makers were not the only ones who feared the dominoes).⁶ In the first blush of the Alliance for Progress (1962–65), the United States gave Chile over \$600 million in direct economic assistance, more per capita than any other country in Latin America. The Christian Democrats became the darlings of those U.S. policy-makers who saw Chilean constitutionalism and the

⁶ See “U.S. Helped Beat Allende in 1964,” *The Washington Post*, April 6, 1973; pp. A-1, A-12.

reformist tendencies of Frei and his followers as the last best hope of Latin America. Reformist governments of this sort, they hoped, would save the continent from violent revolution fueled by obvious misery and injustice, on the one hand, and from the "virus" of Castroism on the other.

Thus the attention to and intervention in Chilean politics—and the hostility to Allende—were not recent arrivals on the policy scene in 1970. For a dozen years Chile had been considered a key country in Latin America, and Allende and the forces supporting him had been considered the chief threats to American interests. Directly and indirectly, perhaps a billion dollars in public funds had been committed by the United States during this period to the "battle to preserve democracy in Chile," largely defined as a battle to prevent the Left from coming to power. All of this, the investment of money, time, and prestige, was seen as in danger of going down the (Communist) drain. The showcase of democracy was about to betray its benefactors. Apocryphal or not, Kissinger's oft-quoted remark that "I don't see why we need to stand by and watch a country go Communist due to the irresponsibility of its own people" perfectly captures the spirit of this tutelary relationship and the thinking that both sustained and emanated from it.

III

"Massive problems" call for serious attempts at resolution. They also call forth serious responses from the several parts of the relevant bureaucracies, especially when the word comes down that the top people in the White House are vitally concerned. A sense of urgency pervades the bureaucracy; position papers are written; coordination increases; problems are defined and redefined; options are discussed; and situations which previously were considered unimportant or easily managed now appear to be fraught with danger.

Thus, for example, several sources report that in 1970 the Defense Department floated within the government the thesis that the Popular Unity government posed a *strategic* threat to the United States. Since Chile had never before been considered of vital security importance, it was necessary to emphasize that it now posed a potential danger to free access to the Straits of Magellan, the last inter-ocean link in the hemisphere should there be "trouble at the Panama Canal." To minds not fully schooled

in this kind of thinking, Chile-as-security-threat may have been a bit difficult to swallow. Kissinger's wry comment that Chile is "a dagger pointed at the heart of Antarctica" is in this context both mocking and ironic.

Of much more importance in the long run were the responses to the perceived economic and political threats. In line with standard bureaucratic practice, a division of labor was established. The Treasury Department, especially under Secretary Connally, assumed responsibility for coordinating economic sanctions against the Allende regime and, with State, the defense of over \$1 billion of U.S. private investment in Chile. The State Department assumed the primary public relations and propaganda responsibilities for U.S. policy, while coordinating and implementing specific plans and programs through the Embassy in Santiago. Meanwhile, the CIA assumed its classic role of covert intelligence gatherer and manipulator of the political process.⁷

What must be emphasized, however, is that this division of labor—and the hard line-soft line controversies that vibrated at many levels within and between the various bureaucracies—seldom if ever reflected real differences in policy goals. There is little to choose between Colby's reported statement that covert monies were spent "in an effort to make it impossible for President Salvador Allende Gossens to govern," and the State Department's position, according to reliable evidence, that "the challenge to the U.S. and to others who fundamentally oppose a Marxist Chile is, therefore, how best to capitalize on the anticipated weaknesses of the Allende program and on the strong latent opposition within Chile." In the same vein, Assistant Secretary Charles Meyer may have been a voice for moderation, and others may have opposed specific activities, but the motives, beliefs, and differences of opinion are of secondary importance. Basically, the entire bureaucratic apparatus was cooperating, under the direction of the White House, in the implementation of policies designed to make it difficult and eventually impossible for the Popular Unity coalition to govern Chile.

In the light of this coordinated hostility, what then are we to

⁷ It is also possible that the Nixon White House, through the "plumbers," had its share of the action. According to Tad Szulc, "a half-dozen unexplained break-ins into offices and homes of Chilean diplomats in Washington and New York in the spring of 1972, just before Watergate, have been attributed to the Plumbers although there is no proof." "How Kissinger Runs Our Other Government," *New York*, September 30, 1974, p. 61.

make of the continuing claims by official spokesmen—including President Ford—that the United States was, throughout the Allende period, only “defending democracy and constitutionalism” in Chile? This all seems so absurd in retrospect. If those goals were real and predominant, minimal consistency argues that the U.S. should *now* be spending at least 100 times as much to defend those cherished values, since the military junta ruling Chile has over the past 15 months scrubbed the last vestiges of democracy and constitutionalism from the face of that lovely land. All political parties, opposition newspapers, free trade unions, First Amendment rights, and due legal processes are gone. Thousands are dead or in jail, and the directorate of prisons and detention camps now occupies what was formerly the Chilean Hall of Congress. Surely this is a challenge that ought to be picked up by those in the White House and the State Department who claimed to believe so strongly in “the Chilean way.”

Cynicism and mendacity in high places do, of course, enter into the picture, but they provide only a partial explanation. In addition, an understanding of the gulf between rhetoric and reality must be sought in the style and process of decision-making and policy implementation. At the top, as suggested earlier, the basic concerns of policy-makers were hardly the preservation of democracy and constitutionalism in Chile. Nevertheless, at lower levels in the bureaucratic apparatus, decent men and women undoubtedly entered with substantial innocence and sense of purpose into the manipulation of the Chilean economy and political process. They were, after all, only helping the groups and institutions that the United States had always helped. Surely many at first had no intention of putting dollars (and thus indirectly weapons) in the hands of paramilitary opposition groups like Fatherland and Liberty. And certainly, had these same persons known that the military in power would be so brutal and repressive, they would have been more careful and would have distanced themselves even further from those who rule Chile today.

But the political and economic drama unfolding in Chile had a dynamic of its own; and U.S. officials, blinded by their hostility to the Popular Unity government, were ill equipped to understand what was happening. Eduardo Frei, the model democrat of the Alliance for Progress, became one of the shrillest voices in the anti-Allende chorus. *El Mercurio*, the once respectable

dean of daily newspapers in Santiago, came openly to call for the overthrow of the elected government. The National Party, at first confining itself to standard oppositional activities, soon turned into a conduit through which funds passed to strikers, Fatherland and Liberty, and armed terrorists on the right. As the good bureaucrats of Washington, acting under orders from above, set out down the well-worn road of support for Chilean democracy, they found that this time the path led deeper and deeper into the jungle. Some knew from the outset that it would be that way, others did not, but in the final analysis foreknowledge was not the critical factor; all became enmeshed in a situation for which they must ultimately share responsibility.

The subsequent double-think, double-speak, and attempts to put a fig leaf of explanation over the indecencies of policy are all too familiar to a nation which has lived through a decade of Vietnam. But the pattern would not occur and reoccur were it not so organically rooted in the realities of power, policy and policy implementation in Washington. Once one gets into the business of meddling in a volatile and delicate situation like Chile under Allende, willingly or unwillingly one is sucked deeper and deeper into the maelstrom. Lying, cover-up, and self-deception all follow as the night the day. The rationales persist long past the point where they can be sustained by objective analysis, but since there was once a kind of historical truth to them, they are clung to by desperate men subsequently hoist on their own words and actions in a rapidly changing world.

Some issues, however, were much more clear-cut. In the conflict which revolved around compensation for copper companies, for example, there was little mystifying rhetoric, and the actions taken were largely overt and straightforward. The multiplex machinery set in motion in 1970 to obstruct the Allende government was well suited to doing battle against the Popular Unity's formal decision in September of 1971 to nationalize Kennecott and Anaconda properties and to withhold \$774 million in "excess profits" from the compensation to be paid.⁸ Since the book value of the properties was less than the calculation of excess profits, in effect Kennecott and Anaconda were expropriated without compensation, a move validated by the non-political Comptroller General of Chile.

⁸ In July 1971, a constitutional amendment permitting the nationalizations had unanimously passed both chambers of the Chilean Congress.

What came to be known as the Allende Doctrine, the idea that compensation for nationalized properties could be reduced on the basis of an excess profits calculation (in the Chilean case, to the point where the copper companies were told that they actually owed Chile money!), was clearly anathema to U.S. policy-makers and investors. Once again, the specter of the dominoes arose, again with a global cast. If Chile were allowed to get away with this, the argument ran, the demonstration effect might well be catastrophic. At stake were not only the fortunes of Kennecott and Anaconda, but potentially the assets of every multinational corporation with long-term investments around the world, particularly those engaged in natural resource extraction. It was not a threat to be taken lightly; nor was it.

Responses were immediate and continuing. On October 13, Secretary of State William Rogers warned that this action could jeopardize the flow of private investment funds and foreign aid to Chile. In January of 1972, President Nixon said that the United States would, when faced with such situations, "withhold its support from loans under consideration in multilateral development banks," an action tantamount in most cases to killing the loans. In February, Chilean government accounts in the United States were blocked in two separate court orders deriving from the copper conflict. In a series of judicial actions instituted by Kennecott in Europe, Chilean copper and payments for sales were impounded. Throughout this period, short-term credits to Chile were drying up, and the World Bank, the Inter-American Development Bank, and the Export-Import Bank made no new loans.⁹

The temptation to dwell on the copper conflict as a key causative factor in the economic and other difficulties experienced by Chile is great. For our purposes, however, the issue should be turned around: we must ask what *difference* it would have made for overall U.S. policy if the copper conflict had never existed, at least not in the particular form it assumed under the excess profits doctrine. This is not an easy question to answer, but my understanding of the architecture of enmity toward Chile, of its historical and global logic, argues that no real reversal of

⁹ *Editor's Note.* The question of American economic actions against Chile was addressed in Paul E. Sigmund, "The 'Invisible Blockade' and the Overthrow of Allende," *Foreign Affairs*, January 1974. A letter from Professor Sigmund, dealing with the impact of the latest evidence on his views, will be found in the "Correspondence" section of this issue, at page 375.

U.S. policy would have taken place even if Chile had "been more reasonable" on the copper question. Had the excess profits doctrine been dropped and at least token payments been made as part of a negotiated settlement with Anaconda and Kennecott, certain lines of credit would have been eased (although when the situation so demands, bankers are skilled at finding other evidences of the non-creditworthiness of an inflationary economy like Chile's), some of the tension would have drained from U.S.-Chilean diplomatic exchanges, and copper marketing in Europe and elsewhere would have been somewhat less difficult. But the "massive problems" seen by U.S. policy-makers would not have disappeared, the CIA would probably not have been called off, nor would private and public American economic actions have been basically different.

For focusing, justifying, and implementing the broad lines of U.S. policy toward Chile, the copper question was therefore made to order. It was the perfect issue, a matter of genuine concern and importance which gave concreteness both to conflict and remedial action. At the same time, no hard-liner really had to fear that should the compensation issue by some miracle be settled, the larger rationale arguing for hostility toward the Allende government would suddenly melt away. The Popular Unity government was damned if it did, and probably just as damned if it didn't.

IV

The issues and implications raised by U.S. actions toward Chile are many, some immediate, some more distant. In the wake of the disclosures concerning the CIA, there has been a flurry of discussion about both the morality and the pragmatics of what the Agency did in Chile. There has also been a related flap involving congressional-executive relations, truth-telling, and the control of covert operations. Mr. Colby's testimony was sufficiently candid to make it obvious that many government witnesses who went before the Congress in 1973 and 1974 to testify about U.S. involvement in Chile had been less than forthcoming. In fact, in a sharp report drawn up by the staff of the Senate Subcommittee on Multinational Corporations, it was suggested that Secretary of State Kissinger and ex-Ambassador Nathaniel Davis deceived Congress, that Charles Meyer and Richard Helms committed perjury in their various testimonies, and that former Assistant

Secretary of the Treasury John Hennessy and former Ambassador Edward Korry were possibly in contempt of Congress. Although the relevant congressional committees have to date not shown much heart for investigating the whole affair, it is clear that questions of congressional scrutiny and the credibility and responsibilities of government witnesses are once again being raised.

As important as these kinds of issues are, and as healthy as it might be to have these and other witnesses recalled, put under oath, and urged to speak the truth, they do not strike at the heart of the matter. Rather, what Chile once again emphasizes is how inevitably the United States will be drawn into intervention and covert activities as long as the notion persists that our vital national interests may be threatened by almost any Third World experiment in socioeconomic transformation not directly under our control. In other words, the first-order problem is not congressional oversight of the CIA or the duplicity of government witnesses. These are merely the symptoms and consequences of a foreign policy which attempts to manage conflict and change on a global scale.

Originally, the political and ideological energies which informed this project of global management came from the cold war. For 25 years, national security "demanded" that both communism and Communism be fought by fair means or foul, from one corner of the globe to the other. U.S. policy toward Chile was conceived in the twilight of this era, and thus it must be understood, at least in part, as a consequence of cold-war thinking. But it would be quite mistaken to infer that because the cold-war consensus and rhetoric are now crumbling in certain respects, Chile holds no relevance for the future. On the contrary, U.S. Chile policy marks not only the twilight of an era, but also the transition to a new. And the new era is not likely to be much more congenial to the autonomy and interests of weak and marginal states than what existed before.

As has been pointed out by Richard Falk among others, the post-cold-war world view being promulgated and implemented in Washington today hardly bodes well for those who dare to experiment politically and economically in the Third World—and perhaps in the First World also. At the core of the evolving vision, and the attempts at global management that flow from it, is big-power politics, the notion that "it is possible to manage

international relations mainly by moderating conflictual relations among governments in the Northern Hemisphere [including China, of course].” As a corollary, this vision “accepts as inevitable the persistence of large-scale misery and repression. It enables the disfavored *many* to be kept under control by the favored *few*.”¹⁰ Its basic amorality derives from the expendability of any and all experiments and people who threaten the new world order now being assembled. As such, it is deeply committed to the perpetuation of the status quo, albeit a status quo which now fully accepts and integrates the U.S.S.R. and mainland China.

The struggle is thus recast in terms of the developed (or powerful) against the less developed (and less powerful), with the latter the subject of malevolent attention whenever interests clash or experimentation seems to be running unchecked in directions that include greater national autonomy. Today Venezuelans—hardly tools of Moscow or ideologically inclined toward communism—have good reason to fear the incursions and manipulations of the U.S. policy apparatus. Their sin? Leadership in OPEC’s oil pricing policies and the promulgation of a variety of economic nationalism viewed in Washington as harmful to patterns of profit, consumption, and fiscal management in the United States, Western Europe, and Japan. Again, the dominoes enter. What if the Venezuelan variety of economic nationalism and pricing leverage should prove generalizable to other Third-World producers of raw materials and basic commodities?

With appropriate local music and overtones, the story in Lisbon is the same. Here it is not economic nationalism that spearheads the “threat,” but rather a political process no longer under the thumb of a repressive government friendly to the United States—a political process spinning toward outcomes which are predictable only in the sense that, whatever happens, life will never again be so easy for American corporations and NATO strategists. In this context is there any reason why Portuguese nationalists should rest easier today vis-à-vis the United States than they might have if they had come to power five or ten years ago? In fact, is there any indication that the moderating of the cold war has significantly diminished American determination to shape the marginal areas of the world as completely as possible to its own (albeit changing) image of how and to whose

¹⁰ Richard A. Falk, “What’s Wrong with Henry Kissinger?” *Princeton Alumni Weekly*, October 1, 1974, pp. 14–18 (quotations from page 18, emphasis in original).

advantage life should be ordered on this planet?

None of this means that the Marines are about to be landed in Portugal, Venezuela, or other "trouble spots" around the globe. In a post-Vietnam world such armed aggressions have become increasingly difficult and costly, both domestically and internationally. Again, however, rather than leading to complacency, the Chile case only raises new questions about the future shape of U.S. interventions. In his congressional testimony, Colby reputedly spoke of the Chilean operation as a "prototype" for "destabilizing" a government through large infusions of cash, without involving U.S. troops either directly or indirectly. But anyone knowledgeable about CIA operations over the past 25 years realizes that little was done by the Agency in Chile that had not previously been attempted in settings as diverse as Italy and Bolivia. What *was* new in the Chile case was the complex mix of overt and covert pressures put on the Allende government. Public and private economic and political pressures were combined with substantial continuing support to the Chilean military; funds and other resources were funneled through Western Europe and other countries of Latin America; there was high-level coordination of overall policy, and the CIA's covert part of the package was not allowed to run autonomously as, for instance, had largely been the case with Cuba. What was prototypical was thus the total foreign policy mix and the fine-tuning—hardly innovations calculated to make economic and political nationalists outside of the big-power club sleep more soundly.

There is thus no reason to believe that the U.S. posture toward Chile and the array of hostile actions taken constitute an exceptional case, something we shall not see again. As long as the United States continues to evaluate the poorer and weaker countries of the world in terms of what each can contribute to the grand design—or the real and imagined threats that each poses to that grand design—there can be no assurances of nonintervention. In some place, at some time, some government or movement short on power but long on alternative visions of development will surely be questing after social justice at home, and more autonomy and a fairer shake in its international dealings. And as long as such quests tend to get defined as inimical to the national interests of the United States, the economic and political pressures against the recalcitrant government will mount, the CIA will sally forth from Langley, and eventually the deception

and manipulation will touch the halls of Congress and the American people.

Oversight committees, citations for contempt, vigorous and watchful news media, and less secrecy in government may ameliorate the situation, but they will not end it. The root problems lie in the definitions of the national interest that are used and the policies that are based on them. Until the former change, until the Presidency of a Salvador Allende is *not* seen as presenting "massive problems for us," Chile-type operations will continue to be mounted. In fact, only when the election of a Salvador Allende is seen by U.S. policy-makers as the legitimate manifestation of a historic struggle for social justice by a people long exploited both domestically and internationally—a struggle with which the United States ought to be associated—will it be possible to say that a truly new era in foreign policy has dawned.

But we are clearly years if not decades away from a foreign policy based on such premises. In fact, it can be persuasively argued that America's privileged position in the world makes such a foreign policy impossible. In the meantime, the victims of our sporadic, malevolent attention to the Third World can only hope that the worst excesses of the foreign policy apparatus will be curbed by legislators and citizens fed up with the politics of Watergate, Vietnam and Chile.

NIGERIA: AFRICA'S NEW POWER

By Jean Herskovits

At least one African in four is a Nigerian; there are more Nigerians than Germans or Frenchmen or Britishers. Nigeria is now America's second-largest supplier of crude oil. Yet most Americans know nothing of this vast country, or if anything, only that there was a bloody civil war a few years back.

Oil alone would seem a sufficient reason for knowing more. Nigeria is the world's sixth-largest producer of crude oil, up in the ranking one place a year for the last four years. Only Canada exports more crude oil to the United States. Nigeria's oil revenues may reach ten billion dollars for 1974. Before last year's energy crisis, American imports of Nigerian oil had already risen 84 percent from 1972. U.S. economic stakes in Nigeria are now as great as in South Africa and growing faster.¹

Further, Nigeria is powerful in Africa. Its army, mobilized originally against the Biafran secession, still stands at some 250,000. It is the largest by far in black Africa, four times the size of the next, that of Zaire.

In the past 18 months General Yakubu Gowon, Nigeria's Head of State, has been enthusiastically received on state visits to Britain, the Soviet Union, and mainland China. What do they know that America does not? That Nigeria is crucial, not only for what happens in Africa, but also as a source of nearly sulphur-free oil, natural gas, and other minerals only now being found.

¹ The best available comparison on trade is between the first two quarters of 1973 and 1974:

	<i>Nigeria</i>	<i>South Africa</i>
1973:		
to U.S.	\$ 150.9 million	\$184.8 million
from U.S.	90.1	343.3
	U.S. minus balance :	U.S. plus balance :
	\$ 60.8 million	\$158.5 million
1974:		
to U.S.	\$1,265.7 million	\$249.0 million
from U.S.	120.9	530.0
	U.S. minus balance :	U.S. plus balance :
	\$1,144.8 million	\$281.0 million

The dramatic change has come, of course, from oil.

Investment figures are hard to ascertain. The best estimates for U.S. capital in 1974 are \$1.2 billion in South Africa and over \$900 million in Nigeria. Further, much of the investment in Nigeria is new, whereas in South Africa, increases come from reinvestment; the rate of increase in investment since 1971 is approximately four times as high for Nigeria as South Africa.

They see, too, its quietly growing leadership in the Third World.

Other developing countries have trumpeted nonalignment, but usually the economic base did not meet the rhetoric, and real independence gave way to compromises with East or West. Nigeria has, as U.S. Ambassador John E. Reinhardt puts it, "an independent political stance unmatched in the developing world. In five years there have been no FMG [Federal Military Government] compromises: nonalignment means just what it connotes; neither West nor East has a preferred position, a special relationship. Good relationships are sought with East and West, but preferences are given exclusively to African concerns and African nations."

The corollary of their nonalignment is that Nigerians do not want anything from anybody. That is not new; during their civil war the FMG insisted on buying the planes and weapons it got from the British and Russians. But it still astonishes those used to open hands from Africa, whether the Russians, Chinese, or most recently, Henry Kissinger.

Nigeria's new development plan for 1975-1980 is budgeted at \$45 billion, based on revenues conservatively projected. Of that sum, federal and state governments will spend \$30 billion from their revenues; the other \$15 billion will come from the private sector, Nigerian and foreign. Nigeria does not need loans from overseas, and aid never enters Nigerians' thinking now—except the aid they give.

The British have long known of Nigeria's economic and diplomatic potential, and so have the French and Portuguese. Other African countries also waited for its continent-wide leadership, though some feared it. Nigeria's conservatism was not what stood in its way. Internal instability blocked its wider role, and left its economic base only the promise of what it might become.

II

The enduring key to Nigeria's influence in Africa and the world is that very economic base. The nation's economy now rests on oil, which produces 85 percent of its earnings. Nigerians have known about their oil for over a decade, but they could not have predicted the asset recent events would make it.

Any oil-producing developing country faces two central questions: How much will oil companies profit? How much will the producing country profit? For Nigerians the time is right to

change traditional answers, not least because of the energy crisis of 1973-74, which made new decisions urgent. The Organization of Petroleum Exporting Countries (OPEC), to which Nigeria belongs, quadrupled prices, bringing huge unanticipated revenues. But what about Nigerian participation in the oil companies' activities—how much and how soon? What of the by-products of producing oil, especially natural gas; refining and its by-products; and a crucial new area: distribution?

Nigeria has long had one refinery; two others are soon to be built. The fact of a firm plan for new refineries, long overdue, is less interesting, however, than what the government now intends for them. When they are all operating (which may take five years), Port Harcourt's and Warri's will supply the needs of the country's southern states. Kaduna's will supply the northern ones, and neighbors Niger and Chad. Three others are projected for locations not yet decided, and what they produce will be entirely for export. "Events have overtaken earlier ideas of smaller refineries placed here and there for domestic consumption," commented one Nigerian official this summer. "We will have massive refineries to be used as an arm of policy."

New actions accompany such new thoughts. In May 1974, the government announced an agreement with the major oil companies. (Shell-BP, the largest, accounts for over half of Nigeria's crude oil production. U.S. companies—Gulf, Mobil, Phillips/AGIP, Texaco/Chevron—produce between 35 and 40 percent.) Through the Nigerian National Oil Company (NNOC) the government would have a 55-percent share in their operations, back-dated to April 1, 1974. To cushion the shock to the companies' operations, the government offered them "buy-back rights" on 50 percent of its oil, and an option on another 25 percent—all, however, at a high \$12.50 a barrel average price, and only until 1976.

This is not exactly nationalizing, but it is more like it than what had gone before. The Nigerian government will pay compensation already negotiated, and remain at 55-percent equity for now. The agreement was not startling in principle but in suddenness. The NNOC has existed only since 1971. In 1973, agreements gave it a share of 35 percent, to reach 51 percent in 1982 (though agreements with companies moving in afresh gave the government control from the start). *The Guidelines to the Third Development Plan (1975-1980)*, written before the events of

early 1974, do not hint at a shift. Evidence enough that Nigeria, like other countries, can react quickly to changing international conditions, and will make the most of them for itself.

Gowon's government has long intended, as the *Guidelines* show, using oil revenues to build infrastructure and diversify the economy throughout the country. There are plans for agriculture and industrial growth; for transport and power and communications; for health and social welfare; and for combating unemployment.

In education the leap in revenue brought a stunning change the *Guidelines* did not even anticipate. Primary education will become universally available—that in itself is new for Nigeria—but further, it will be compulsory. The target date is 1976. UPE (Universal Primary Education) is a formidable undertaking for any developing country, let alone one so vast and culturally diverse. Just the logistical problems are immense, for the primary school population is expected to rise from 3.6 million to 7.4 million when the scheme starts in less than two years (and to reach 11.5 million by 1980). Thoughtful Nigerians fear such massive ambitiousness, and the rush: "There may be schools, there may be even teachers. But will anyone ask what are we teaching? Nobody will have time to ask."

Increasing trained manpower is central to all this, though UPE could also compound problems of unemployment. Already there are crash programs for teacher training (the need is for some 97,000 additional teachers by 1976). Some of those will be now-jobless secondary school leavers who have themselves been a nagging unemployment problem. Recruiting teachers overseas is necessary too, for the short run, which bothers some Nigerians. By 1980 the government will have built 30 new secondary schools, and added four new universities to the existing six.

Nigeria's planners, many of them graduates of those universities, want to change its broad economic position. They acknowledge the continuing importance of Nigeria's primary produce, looking both to oil and to their traditional export crops, cocoa, groundnuts, and palm oil, and such new ones as soybeans. No longer, however, will Nigeria gear its economy simply to the insatiable Western world's greed for primary produce. Few African countries have the option to do otherwise, but Nigeria does. Basic infrastructure and industrial growth to meet the needs of its own and wider African markets are paramount.

Indeed, the new plan will stress agriculture, as well it might, considering that the last decade has found Nigeria importing food. Reversing that trend has the highest priority. Nigeria faces the universal problems of how to keep people "down on the farm" and give improved technology to millions who make their living off the land (and whose per capita income is under \$100).

"It is not enough to increase supplies of traditional food crops like cassava, with their empty calories," comments a Nigerian economist. "The most imaginative proposals are those to expand greatly wheat and cattle production. We aim to make Nigeria self-sufficient in both by 1980."

Agricultural plans, like all others, vary from state to state. In the northern ones special attention has already gone to widespread irrigation. Some states are thinking of huge state farms of perhaps 100,000 acres on land hitherto uncultivated (Nigeria uses only one-third of its arable land), but Nigerian planners do not agree about the wisdom of that. "The problem is lack of managerial personnel," one of them explained. "It would be better to make tractors cheaply available to small farmers, and to give them free fertilizer." There are in several states programs to distribute fertilizer, and also equipment banks of tractors and other machines, which are meant to circulate rather like books in a lending library.

Industrialization has a high priority too. Local production of textiles was only five percent of consumption in 1961; ten years later it was 71 percent and rising. Nigerians now drink locally brewed beer and stout and use locally produced radio and television sets, sewing machines, cement, corrugated metal roofing, soap and sugar. The new plan sees expansion of such manufacturing, adding many new products competitive with imports.

Truly innovative—even revolutionary—for Africa is the decision to compete, Japanese-style, with the industrialized countries in the world market. Nigerians are thinking about it, looking to such products as petrochemicals, air-conditioners, agricultural machinery, car and bicycle parts as future exports.²

Nigerian planners know that only heavy industry can make these inroads possible. Government reports show realism and

² Their full list of projected exports is instructive: "Petrochemicals (including plastics), cooling systems including air conditioners, fans, refrigeration equipment, and their components, especially compressors; simple machinery and equipment, especially small agricultural machinery, tools, pumps, automobile parts, motors, bicycles and components, motorcycle parts, etc." *Guidelines*, p. 20.

self-criticism, however, about problems here, for example on such matters as the siting (at last, in eastern Kwara State) of the iron and steel complex, noting in official understatement, "nothing has been gained by the delay." To defuse these "heavily politically charged" decisions, as the *Guidelines* describe them, they will announce locations of several major projects at once.

These efforts are all taking place without ideological pronouncements, and there are those who wonder how to describe Nigeria's economy. Many ask who reaps the whirlwind profits. Some say if the system isn't socialism—and it accurately doesn't claim itself to be—then it must be capitalism, and that, they often say, is bad. The government, however, doesn't categorize itself or its programs. What it is doing with its revenues, though, includes roads and piped water where people didn't dream of them a decade ago, and spending in cities three-quarters of a billion dollars on workers' housing over a three-year period. A drastic change in salary structure is also imminent, giving an increase of 50 percent or more to all wage earners in both public and private sectors, with greatest boosts for the poorest—and inevitably compounding problems of inflation.

Nigerians have related criticisms of these plans: that shortages of trained manpower loom over all, and that implementation may not reach expectations. The government once estimated achievement by money spent; now the gauge is more realistically by projects completed. The second progress report on the Second Development Plan (1970–74) showed that by March 1973 its budget had risen 52 percent over that projected in 1970, and that 62 percent of those revised goals would be reached by the end of the plan. The Third Plan is, of course, far more ambitious, and reaching into new spheres as it does, will see an even greater need for skilled personnel. The problems here are evident. As one Nigerian editorial writer comments, "If we recall that executive capacity was a major constraint in the current plan, it is plain that optimism is walking on high stilts in the corridors of power."³

Meanwhile, General Gowon calls himself pragmatic, and so do most of those who work with him. The *Guidelines* say matter-of-factly that Nigeria has a mixed economy with "four major classes of participants: the Federal government and its agents, the State governments and their agents, the foreign private interests, and indigenous private interests: each with its own

³ Editorial, "1967 and All That," *New Nigerian* [Kaduna], Oct. 4, 1974, p. 1.

spheres.”⁴ That is not very illuminating ideologically either. What is clear, though, is the enormous role of government, not only in the public sector but also in stimulating a Nigerian private sector. In 1972 came a policy popularly called “indigenisation,” announced in the Nigerian Enterprises Promotion Decree of that year. Under it, 22 kinds of business had to be fully in Nigerian hands by March 31, 1974. It permitted limited participation of aliens for the time being in 33 other spheres.⁵

These steps mean that some Nigerian businessmen—those with access to enough capital at the right time to buy out foreigners—are becoming very rich. Through all this, chances for corruption are growing; charges of it are too. Unless Nigeria’s new wealth reaches deep into the population, Gowon’s good intentions will mean frustration, dangerous for Nigeria’s stability.

The policy of “indigenisation” has the long-range aim of encouraging foreign investment, but according to what one Nigerian businessman calls a “buddy system.” Foreigners will have to invest in partnership with Nigerians, bringing expertise, but understanding that Nigerians will eventually control whatever they start together. They can in the meanwhile repatriate their profits, and rest secure about their capital investment. But there will be no more of the classic “business by remote control.”

It is clear, then, that overseas interests will have to do what the Nigerian government wants them to do. The terms may seem reasonable to some and less so to others. But they are Nigeria’s terms, not subject to foreigners’ pressures. In the summer of 1973

⁴ The Federal government’s are: “(a) Strategic Industries; (b) Industries of national importance and (c) projects that cut across state interests and boundaries. The Indigenisation Decree has delimited some areas of foreign and indigenous participation. . . . [It] is proposed to restrict to indigenous private interests Schedule I activities in the Indigenisation Decree except those activities like Radio and Television Broadcasting, Municipal Bus Service and Newspaper publishing where exclusive private participation may hinder progress. States should however be free to promote indigenous private interests’ participation in all classes of activities. As far as State Governments are concerned, their industrial programmes should give prominence to agro-based industries.”

⁵ Schedule I, reserved for Nigerians exclusively, lists among its 22 kinds of business all retail trade (except by department stores and supermarkets); newspaper printing and publishing; radio and television broadcasting; garment manufacturing; hairdressing; advertising; assembly of radios, televisions, tape recorders; running cinemas; blending and bottling alcoholic drinks; running municipal bus services and taxis; rice milling.

Schedule II lists 33 businesses whose paid-up share capital is under \$500,000 and whose Nigerian participation must be at least 40 percent. It includes beer brewing; manufacture of cement and matches and bicycles; production of plywood; wholesale distribution; shipping; interstate bus services.

In the two most prominent cases above the \$500,000 capital cut-off, Nigerian government participation is already 55 percent in oil and 40 percent in banking.

a senior Nigerian official, close to the oil negotiations of the time, said in exasperation, "When will Americans learn to send over people knowledgeable enough to know they should discuss these matters intelligently? We may not have understood all the intricacies once, but we're learning." Oil company personnel and others are finding out that Nigerians have learned a lot.

III

From postwar stability and economic strength has come an active foreign policy. Starting in 1971 and moving in ever-widening circles, Gowon and his foreign ministry have, however, kept the "very low profile" that African diplomats always mention. With little publicity, Nigeria tackled its neighbors first: Dahomey, Niger, Chad, Cameroon, Togo. State visits led to long-term interest-free loans, bilateral agreements on building Nigerian-financed roads across borders, and reviving moribund efforts at economic cooperation through projects dealing with power, communications and transport.

As one Nigerian official put it, "Everyone knows our boundaries, drawn in Europe, don't mean much. Why, when General Gowon was on a state visit to Niger, he found himself formally and ceremonially greeted in one town by a traditional ruler, an Emir—but a *Nigerian* Emir."

The Sahelian drought has given tragic impetus to kinship across borders, as thousands have moved south into Nigeria from Niger and Chad. Though Nigeria's own northern states have been suffering from the drought, and emergency Federal grants of \$75 million have poured into immediate and longer-range crash programs there, the FMG has also given over \$15 million to its stricken neighbors further north.

Nigeria's oil revenues have given it another opportunity: to invest in African countries. It has an interest in Guinea-Conakry's iron ore, which Nigeria itself will import for steel production, to begin in 1980. It will aid in financing sugar-growing and processing in Dahomey, and also a cement plant there. Other African projects will come, and Nigeria has also agreed in principle to build an oil refinery in the Caribbean. The government is determined that Nigeria's oil money will all go into strengthening its own economy and those of other black countries: "not like the Arabs," one high official said. The decibels on this policy are low. A flamboyant Nigeria could frighten

Africa now that its once-potential strength is so evident, and backed by a quarter-million man army.

Nigeria is reaching, with the same style, beyond its immediate neighbors. Its leaders' vision for Africa parallels internal goals: stability (north of the Zambezi, anyway) and economic growth. When Nigeria works with Togo to set in motion a West African common market, it is more than sound economics. All forms of active cooperation will improve Africa's chances for unity in negotiating for wider African interests.

A key area for asserting those interests is relations with the European Economic Community, whose members include the major colonial powers of an earlier Africa. What economic rules will replace earlier ones of empire has preoccupied Third World countries since independence, and their answers have been very different. Former French colonies found themselves associate members of the Common Market from the start, and have argued in favor of that status. Former British colonies were another matter (since Britain was not in the EEC when they became independent). A few worked on possible terms for associate membership. Nigeria was one of them in the mid-sixties, but becoming an associate was controversial there, and it never materialized.

The Gowon regime has always regarded associate membership as unacceptable under the old terms. On the grounds that bargains between unequals are likely to be unequal, it particularly rejects the idea of reverse preferences, which limit the ability of the developing countries to protect their infant industries, and thereby, in their eyes, lock their economies into perpetually producing primary produce for the industrialized world.

Thus in June 1973, Nigeria brought together trade ministers from all over Africa—and the Caribbean and Pacific Islands—to forge a unified position on their relationship to the EEC. Many marvel that unity has persisted through hard continuing negotiations, during which Nigeria has been the leader, forcing substantial rethinking by countries already associated with the EEC. "Nigeria cannot dictate the policy of others, but they will not easily go against her," an American observer comments.

Meanwhile, Nigeria offers to share its own economic opportunities with other Africans, who are encouraged to go into business there. "They are the only non-Nigerians exempt from the 'Indigenisation Decree'; they don't need Nigerian partners, for

we are all Africans, aren't we?" a civil servant explains.

Policy now seems to reject categorically territorial gain, though not influence. Nigeria may find itself the center of a larger West African polity one day, but for now the role its leaders want depends on denying such aims. The denial must be real, and must be seen to be real.

Africa must solve Africa's problems, Nigerian leaders believe, and they want to play a role in the solution. African countries look to Nigeria, however, and not only because of size and wealth and pacific style. Oddly, the civil war has strengthened their respect; Nigeria survived as one country, with magnanimity toward the defeated. But as important, Nigeria, knowing what it is to have problems, will not minimize those of others.

IV

Nigerians do not want to take on everyone's problems, of course, nor would others want them to do so alone and unchecked. Gowon's commitment to international effort is through the Organization of African Unity (OAU). Elected its chairman for 1973-74 (its only military chairman to date) in a tribute to Nigeria's recovery in African eyes from its civil war, he has few illusions about the OAU. "No less effective than most other international organizations," Africans often say of it, but that is faint praise. In recent years some solidarity has emerged through it, however, for instance against South Africa's attempt to foist a "dialogue" on black Africa's leaders.

During the Nigerian civil war the OAU had no solution: Nigeria did not want one from it. Nigeria said emphatically that the Biafran conflict was an internal problem, reminding the OAU of its long refusal to interfere in members' internal problems. The vast majority of those members supported Nigerian unity and thus Nigeria. Countries elsewhere saw almost all Africa opposing Biafran secession, and that buttressed their own decisions not to recognize Biafra.

Nigeria's internal reconciliation had its parallel in Africa: in 1972 Gowon took a personal hand in restoring relations with Tanzania, Zambia, the Ivory Coast and Gabon, the four countries that had recognized Biafra. An emotional reconciliation between men was not all: many Africans saw this when Nigeria sent \$750,000 to aid Zambia after the closing of its border with Rhodesia. A dispute between Burundi and Tanzania brought,

not the Nigerian stand against Tanzania the Burundians had counted on, but rather Gowon's dispatching one of his state governors to mediate.

Indeed, successfully mediating disputes between African countries is central to Gowon's policy. Such mediation, whether by Gowon himself, or his representatives, flying here and there in the General's plane, is a particular Nigerian contribution, says one of Nigeria's senior ambassadors. "It will outlast the OAU chairmanship," he predicted accurately (as for example, in helping now to smooth the tortuous relations between Ethiopia and Somalia). "Nigeria is effective because African countries believe we do not mean to expand," he continued. "If we may borrow one of history's terms, we want to be an 'honest broker' in Africa, believed to be, as now, disinterested; we want to be surrounded by friendly countries with whom we can cooperate." From what a number of other Africans say, they believe it.

Built on African concerns, Nigeria's policy has had many successes, but sometimes it is so low key as to be inaudible. "Being an 'honest broker' is fine," said a diplomat at the United Nations, "but why not be an energetic one? Why wasn't Nigeria the first country to volunteer for the Middle East Peacekeeping Force? Indeed, couldn't Nigeria make herself into Africa's Canada, with soldiers especially trained for such international service?" It troubles observers that Nigeria didn't take up such a role so suited to its policy and resources in the summer of 1974. Perhaps a reason lies in other dramatic events.

V

The world changed drastically for Nigeria during 1974; first in oil, then with Portugal's coup, finally through Nigeria's own census and its aftermath.

If oil brought unimagined opportunities as the year began, it also undermined another asset: uncomplicated reserves of goodwill in Africa. OPEC's new prices hurt industrialized nations, but cries of greater anguish came from the poorest countries, forced to scrap their budgets, their development plans, and their hopes, however modest. Many of those countries are in Africa. Nigeria is the only black African state in OPEC and, indeed, the only one for whom all this was good.

Africans came to Nigeria for help, partly because of the very successes of Nigeria's earlier overtures. Nigeria had, however,

no easy solutions. "We are not yet a rich country," Gowon was saying; that truth must sound harsh to countries far poorer, and without Nigeria's promise. A member of OPEC, Nigeria participates in setting its prices, but as one voice in 12. In August it announced a plan to sell crude oil to African countries with refineries at a "minimum" price, unspecified but not below OPEC's agreed lower level: "You can't belong to an organization and take your own direction after you have all agreed," says Shettima Ali Monguno, Nigeria's Federal Commissioner for Mines and Power. "What you can do is offer long-term loans or grants to make the buying easier for other African countries." Nigeria is doing that, but with, as yet, few takers.

Nigeria's prominence as an oil producer affects its position outside Africa too. Its production has increased from 1.5 million barrels a day in 1971 to approximately 2.3 million a day in 1974. Though a member of OPEC, it does not belong to the Arab subgroup, OAPEC, and therefore did not join the 1974 boycott nor cut its planned increase in production. Aware of the need not to deplete oil reserves, and unwilling to accumulate unabsorbable revenue, the government plans now to stabilize production at its present level. That does not preclude, however, stepping up production if it accords with Nigerian aims—either of internal development or of foreign policy.

The British understand Nigeria's economic importance, and that has affected their own policy. Africans believe, an East African diplomat pointed out, "The only thing that prevented the British from selling out completely to the Smith regime in Rhodesia was that it would incur African wrath—that is, Nigeria's wrath—with some bad economic consequences."

Now Nigeria has replaced Venezuela as the second-largest supplier of crude oil to the United States,⁶ and though Amer-

⁶ According to the State Department, "Traditional sources of U.S. petroleum [crude oil] imports shifted markedly during the first seven months of 1974. The most dramatic change was Nigeria's leap to second place behind Canada. . . . Nigeria exchanged places with Venezuela which fell to fourth position."

The Federal Energy Administration gives the following figures:

*Sources of U. S. Petroleum [Crude Oil] Imports
January–August 1974 (thousands of barrels per day)*

<i>Country</i>	<i>Av. per day</i>	<i>% of Total</i>
Canada	896.4	24.7
Nigeria	663.8	17.5
Iran	561.9	15.5
Venezuela	405.1	11.2
Saudi Arabia	301.0	8.3
Indonesia	283.7	7.8

icans do not seem to realize it, how Nigeria will handle its growing oil output may be directly connected with how Western countries, notably the United States, treat southern African matters.

For, of course, the changes of government in Portugal since April have drastically altered prospects and issues in southern Africa. The preoccupation that unites African governments is white minority rule and oppression south of the Zambezi. Nigeria measures Western countries' goodwill by their stand on that issue. For years "the white redoubt" seemed impermeable. True, the liberation movements were at work. Aid to them was increasing, through the OAU Liberation Committee (to which Nigeria contributed most, as well as giving money directly to individual movements). But progress was slow; Africa was prepared for a long struggle, in Mozambique and Angola, in Rhodesia/Zimbabwe, and longest of all, in South Africa. For the white governments in those countries Nigeria was to be reckoned with, perhaps the only African country that really worried them.

After the civil war their worry increased. Nigeria was again stable and its postwar army was well equipped, disciplined, some of it combat-seasoned, and still (if largely because of fear of higher unemployment) at wartime strength. Not that General Gowon was yet making plans to deploy his troops in southern Africa. He and the other OAU leaders kept hoping for peaceful steps to majority rule, but in 1973, Gowon was talking of money and materiel and of needing to face the question of men.

The Portuguese coup shook southern Africa, and all Africa saw new opportunities in its fluid aftermath. Within six months a new Portuguese government had abandoned any attempt at a Portuguese "community," pulled completely out of Guinea-Bissau, and was hurtling through negotiations to hand over control to Africans in Mozambique and Angola.

In all this General Gowon's only public role was as OAU chairman just at the end of his term. He argued at the Mogadishu meeting in June for moderation: African states should support Portugal's efforts to negotiate, should wait and see what happened—there and subsequently in Rhodesia/Zimbabwe. Only then would a strong outsider know what pressures to exert and where.

Why was Nigeria not more prominent in the negotiations themselves? Gowon had predicted Guinea-Bissau's independence, committing Nigeria's strength behind it. Why should

not the PAIGC and the Portuguese have been talking in Lagos instead of London and Algiers? Nigerians had, in fact, quietly been part of the London negotiations. The important thing to them was that majority African rule come from the talking; who got credit for the arrangements didn't matter. Indeed, Nigeria did not want to preempt the efforts of other African states; its wish was just the opposite, in accord with the low-key, un-frightening style.

VI

But Nigeria's internal problems were also demanding urgent attention. In 1970, at the end of the civil war, General Gowon had told his countrymen that by 1976 the army could hand over the government to civilians. Nigerians expected him to announce renewed, unfettered political activity on October 1, 1974, the fourteenth anniversary of Nigerian independence. But he did not; he put off civilian rule indefinitely.

In 1970 he had set forth nine goals, including postwar reconstruction and reconciliation, reorganizing the army, holding a national census, forming national political parties and constituent bodies to design a new government, re-examining the numbers and borders of the recently created states, and finally the thorniest of all (as Americans know): "eradication of corruption in our national life." Once all that had been done, he said, the army could confidently leave Nigeria in civilian hands.⁷

People were speculating continuously about '76. In 1973 one state governor announced that half of the nine points were out of the way. Some wondered at his arithmetic, and the more thoughtful knew that tackling the census and the other hard political issues was still ahead. Earlier politics, especially in 1964-65, had been partisan, violent, and frightening, but Nigerians are outspoken, and irrepressibly political. They want to have a civilian government one day, but when and at what cost?

Until 1974 all was going roughly on schedule. The remarkable reconciliation continued, with only a few nagging bits unattended. (On October 1, 1974, Gowon at last released the army officers in detention, "to complete the process of reconciliation," he said.) The war-affected states said they had finished reconstructing. The army was reorganized and retrained, and remarkably inconspicuous.

⁷ See Jean Herskovits, "One Nigeria," *Foreign Affairs*, January 1973.

The FMG was even doing some things civilians could never have done. Creating the 12 states in 1967 had been the first. But after the war they turned to the most volatile economic issue: revenue in general, and oil revenue especially. Under the first republic, the federal government disbursed funds to the four regions according to a formula of 50 percent by derivation to the region of origin, 50 percent by population. The rich regions liked it and the poor did not. "Rich" changed over time from cocoa producers to oil producers, and so did views of those in each region or—after 1967—state.

The first step was to make offshore oil federal. Then the FMG quietly revised the formula for allocating revenue: population became more important, derivation less, and something new, called "need," appeared. With the 1975–80 plan, derivation virtually vanishes, and the far-greater revenue going from the center to the states will meet some two-thirds of their capital development budgets. Removing derivation as a criterion had been so inflammatory it was scarcely discussable in the "political days." Now it was done. But accurate population figures became even more crucial thereby.

This is not a theoretical point for Nigerians. These are issues people go to war over. This may surprise Americans; for us a census is a very ordinary thing. But Nigerians must know how many they are and where they are: future political power and allocation of the ever-growing revenues depend on the answers.

Already in the past, the taking of a census had been critical, indeed a root cause of war. Nigeria's 1962 census, flagrantly inaccurate, had to be set aside, and in 1963 the government tried again. Those results were dubiously large and worse, most Nigerians believe them to have been falsified for political reasons. Chaos followed, and violence, leading finally to the military coups in 1966 and, the next year, civil war.

And so, when the FMG held the census in December 1973, everyone agreed that this must not happen again. Problems of counting people in a country like Nigeria are myriad; accessibility and trust are the hardest to solve. Local preparations were extensive and careful. Nationally a census board, with equal representation from the 12 states, met regularly to plan, and it was to approve unanimously the computer-processed results. The military government took full responsibility; soldiers accompanied, one for one, some 180,000 enumerators and counter-

signed the results. The government's advance publicity stressed economic planning: the purpose was *not*, it insisted, political.

The preliminary results of the census, which were expected shortly after the enumeration, were not announced until May 1974. Those results and the ferment that followed them abruptly changed Gowon's plans. He is well aware of the political importance of the figures, and announcing them in May he said, "The public should appreciate their provisional nature." The words "preliminary" and "provisional" appeared in his brief speech nine times. His reversal in saying the figures "should not be used for planning purposes," showed the government's nervousness. For the provisional total was, he said, 79.76 million; the 1963 figure, believed inflated, had been 55.65 million. The total shocked Nigerians less, however, than the distribution among their 12 states. The six northern states were said to have more than twice the numbers of the smaller but more densely populated six southern states.

"North" and "South" were not supposed to matter in Nigeria any more; that was one thing creating the 12 states had been about. But the North-South split mattered critically in the 1960s, whose turmoils go back to the claim that the then Northern Region was merely equal in population to the three in the south. The preliminary figures revived thinking about that split, especially in the southern states. "No one thinks there was a national plot," commented several Nigerians, from different parts of the country. "But everyone thinks figures were inflated in some states." Not surprising, with some states said, however provisionally, to have nearly doubled while others shrank. The released data were raw, and all awaited "post-enumeration checks" to produce final results—results which, Gowon stressed, "may be even less than the preliminary figures." Predictions are that the total may decrease but the distribution will not change.

Everyone knew the census was the first big postwar test: could Nigerians have faith that they would treat each other fairly? Or would they still assume that a zero-sum game was being played all around, each group stacking the figures to win, whoever loses? If the second, all could lose; the implications for stability were ominous.

Nothing is more important, Gowon believes, than Nigeria's stability, for if Nigeria is not stable, what chance is there to attack the pitiful per capita income (plummeting with the new

census figures), or the distribution of wealth, or educational growth, or the rest of what Nigerians need and want—including an unbridled political democracy? Nor, he insists, would corruption be likely to vanish in chaos.

“Those who are clamoring for civilian rule right now,” commented a Nigerian civilian close to the General in June 1974, “had better watch what their clamor brings. I am not against their speaking out, but I do know that if the census figures bring unrest, or if some political proposals spark uproar, he may think again. Only the threat of chaos could make him break his word about 1976.”

He was right. People with political ambitions—some of them politicians from pre-coup days—held forth in the press without restraint. They challenged census figures, forecasting revived north-south fears and so fueling them. The lively newspapers did their own investigative reporting, searching out high-level corruption. Sometimes they found it, but they were more selective—Gowon thought vindictively so—than systematic in their attacks. All over the country one sensed excitement but also mounting nervousness as rumors piled on rumors, of political battle reminiscent of the sixties, and of imminent coups. The government did little to silence the critics through August, while the press brought down one Federal Commissioner over charges of corruption, and a Military Governor was similarly accused. Gowon’s strong words on his return from Peking in September showed new firmness, even anger.

Then on October 1, Gowon announced that the 1976 date no longer held. Why?

Regrettably . . . from the general attitude, utterances and manoeuvres of some individuals and groups during the past few months, it is clear that those who aspire to lead the nation on the return to civilian rule have not learnt any lesson from our past experience.

There is no doubt that it would not take them long to return to the old cut-throat politics that once led this nation into serious crises. We are convinced that this is not what the honest people of the country want. What the country and the ordinary citizens want is peace and stability, the only condition under which progress and development are possible.

He pledged to continue work on the nine points, and reaffirmed his commitment to return to civilian rule, but on no timetable.

It will happen, he said, when his government has laid “the foundation of a self-sustaining political system which can stand the test of time in such a manner that each national political crisis

does not become a threat to the nation's continued existence as a single entity and which will ensure a smooth and orderly transition from one Government to another." He and his government will decide when that time has come. It will be a *more* military government, with civilian commissioners, who headed ministries, replaced largely by army and police officers. Gowon proposes a different civilian role, through councils of "persons drawn from a cross-section of the country" to advise Federal and state governments. No one knows yet what that means, but one vital civilian sphere is left undisturbed: the powerful civil service.

The FMG has a rationale for moving toward civilian control by first making the government more military: civilians who are not in the government will then be freer to be politically active, and, somewhat in contradiction, these same men will not have their earlier political advantage over other civilians of speaking from a podium of power. This, they say, will also remove the anomaly of having in the military government civilians whose political futures must depend on its imperfect success.

But that is, of course, not the whole story. Gowon knows he must stay on the razor's edge, which he has thus far walked with such skill, maintaining not only civilian political stability, but also stability within the army. The summer's rumors, after all, were of coups as well as political unrest; a large army has many majors, and Nigeria's first coup, in January 1966, was a majors' coup. The changes in government will give new officers new outlets.

Nigerians have reacted in their characteristic way: they are watching and waiting. Some say that if those with political ambitions are distressed, "ordinary" Nigerians, who want a better life, are relieved. An editorial in a moderate Nigerian newspaper made a point many who share Gowon's concern for stability worry about, however:

All this means that internal changes will absorb much of . . . the kind of peace and stability which the Commander-in-Chief seemed to want . . . is impossible in a huge and diverse country with fairly well developed political culture and with the political power prize being the privilege to dispense vast resources. Turbulence and controversy are second nature to this society. The aim is to control and set a limit to the degree of turbulence, which is the stuff of politics and the stuff of life.

. . . the longer the military regime lasts the longer the process of adjustment is put off because by freezing the natural interaction of society's forces you are also freezing the process of political evolution and integration.⁸

⁸ "1976 and All That," see footnote 3 above.

Nigeria's energy. "I think General Gowon's goal is to create a truly Nigerian identity," commented a senior civil servant. Nigerian unity was, after all, what the war was about; the feeling of "One Nigeria." The census results have tested the feeling and found it still wanting. Most agree that the sense of being Nigerian does go deeper now than ever before. But how deep? Those who share Gowon's premium on stability believe not yet deep enough.

The government has moved to weld the Nigerian identity: by creating the states (whose number Gowon has pledged to increase), building extensive roads, and forming the National Youth Service Corps,⁹ for example. Universal primary education is to play a part, as are the new universities. Nigeria's role in Africa and beyond can contribute too. Nigerians' sense of their country grows as they see that role grow, though as long as Gowon is Head of State, he will expand it only as Nigeria's internal strengths justify doing so.

VII

Many Nigerians believe that however complex the internal challenges, they will meet them with no more mistakes than other countries make, and that Nigeria will accordingly have a growing impact in Africa and the world. The British expect it, and so do the Russians and Chinese, as all made clear during General Gowon's state visits.

Americans have not bothered to think of it. Neglect and ignorance are blatant. A Nigerian journalist asked Henry Kissinger in October 1973 about U.S. relations with his country. Kissinger hoped, he said, to see Nigeria's "President," who was about to visit the United Nations; Nigeria, of course, has not had a President since 1966. Further, when General Gowon arrived to address the General Assembly as Chairman of the OAU, the White House arranged and cancelled appointments again and again, until the Nigerians had had enough. Gowon and Nixon never did meet, despite the mounting oil crisis.

Nigerians have long memories—of that snub, and of what Washington may think so minor a matter as failing to send 50 helicopters, urgently needed to transport food from Maiduguri

⁹ Under the NYSC's regulations, every Nigerian university graduate is required to do a year's service in the government employ. A kind of internal Peace Corps, the NYSC's most important requirement is that no Nigerian serve in his state of origin; the hope is that many will take up permanent jobs where they have served.

to people starving from the drought in Chad and Niger. Nor do they want Americans rushing to concern themselves with Nigerian affairs. They are proud of doing what needs to be done for themselves, and they join many other countries in insisting that Americans not interfere.

That does not keep them from admiring much that is American, but the neglect of Africa under Nixon was not benign on the critical issue of white minority rule in southern Africa. The United States violated sanctions against Rhodesia, treated with pre-coup Portuguese rulers as important allies, hedged on its arms embargo against South Africa, and on American firms' behavior there. If the Kissinger-endorsed "tilt" toward the white regimes was news to Jack Anderson, National Security Study Memorandum 39 only confirmed what African governments knew they had seen America doing.¹⁰

Apparently the Secretary of State has seen the recent oil figures, for last October he showed a new interest in the Nigerian Foreign Minister, come to address the General Assembly. Kissinger's only interest was oil, however; he said "on background" that since the Nigerians did not seem willing to talk concretely about that, all became generalities and courtesy.

It could be that Nigerians do not see oil as an isolated matter. They have no plans just now to play politics with oil by increasing production and choosing customers, but they know they can. They are, however, committed to majority rule south of the Zambezi, and they have long judged non-African governments' goodwill on that issue. For Nigerians it is not an issue of polite conversation, to be set aside when a Western foreign minister has another concern.

The Ford Administration is still new enough to rethink its policies and actions in Africa (though one Nigerian comments skeptically, "The trouble with the new Ford Administration is that it's still the old Kissinger Administration."). Nigeria's quietness should not deceive us; it is in our own interest to look beyond it.

¹⁰ Jack Anderson, "Henry Kissinger's First Big 'Tilt,'" *The Washington Post*, Oct. 11, 1974.

AMERICA'S SECRET OPERATIONS: A PERSPECTIVE

By Harry Rositzke

THIRTY-THREE years after William J. Donovan set up the first genuine American secret service, and as the first generation of American secret operations officers fades away into unclassified retirement, the American Intelligence Service, or AIS,¹ faces a new Administration, new tasks in a new non-confrontation world, and new, as well as old, suspicions. Its belated establishment led initially to a certain amount of hostility both within the foreign affairs establishment and vis-à-vis the internal security organization that had come into being after World War I, and these feelings have never wholly died out. And American secret operations have developed in their brief career an unenviable public image as well, both domestically and abroad.

Designed to cope with the Nazi, then the Stalinist, menace, the AIS has come to be regarded by liberal opinion at home as a haven for reactionaries and stunted cold warriors, as a sinister secret arm of our foreign policy, as a rapist of American civil rights and academic freedom, as co-conspirator with the White House in political skullduggery. Abroad, "CIA" has become a symbol of American imperialism, the protector of dictators, the enemy of the Left, the mastermind of coups and counter-coups in the developing world. It is a strange and remarkable record for an official institution in a democratic society.

What is the action record of American secret intelligence? Where does it stand today? What lies ahead?

II

During World War II the Donovan organization attained, on the whole, a remarkable reputation. Kept out of the Southwest Pacific by a jealous General MacArthur, yielding Latin American responsibilities for the time being to the FBI, occasionally flawed by the high degree of individualism Donovan encouraged,

¹ I choose this simple term to distinguish the Service sharply from the Central Intelligence Agency (of which it is a lesser part) and to avoid the glut of titles by which it has been designated: Special Operations, Policy Coordination, Plans, Clandestine Services, Operations.

the Office of Strategic Services (OSS) nonetheless rendered signal service in a host of situations. It left a large legacy not only of trained men but of senior officials convinced that such operations could be of great importance in supporting American foreign policy.

For two years after the war the survivors of OSS fought for their official lives. The former Research and Analysis Unit, essentially overt, wound up briefly in the State Department, while the secret operations fended for themselves. In 1947 the two were brought back together under the umbrella of the Central Intelligence Agency, established by law in the summer of 1947, a marriage of covert and overt that persists to this day.

Those engaged in secret espionage operations found their main target within months of the end of the European war: Soviet military capabilities and intentions. By 1948, as the Berlin blockade signaled the intensification of the cold war, the overriding purpose of the AIS was to provide the White House with early warning of Soviet hostilities, both by strategic bombers and by ground troops through Poland.

In 1946 Washington knew virtually nothing about the U.S.S.R. Four years of concentration on the Germans and Japanese had left the Soviet files empty. Air Force researchers combed the Library of Congress to flesh out the bare outlines of bombing target dossiers. Tens of thousands of Eastern emigrés in Europe were interrogated for the simplest items of basic intelligence: roads, factories, city plans. Intelligence peddlers sprang up by the dozen to satisfy the American market. Any ship that visited a Soviet port was a gold mine.

Almost nothing came out of Moscow. A beleaguered embassy and a few sequestered Western journalists passed on official hand-outs, read the press, went nowhere, talked to no one. The Soviet Union, like Hitler's Fortress Europe, had become a "denied area." Only secret agent operations carried out by "illegal" entry could penetrate the target area to provide early warning of an attack and, later, information on Soviet progress in its atomic program.

For almost ten years, until the mid-1950s, the AIS dispatched agents into the Soviet Union by air, land and sea from almost every point on its outer periphery between Scandinavia and Japan. Most were equipped with radios and sent in by air, some to make contact with resistance groups in the Baltic States and

in the Ukraine (where they survived until the mid-fifties), others to become observers at selected transportation points to give notice of unusual movement, or to collect or measure earth and water samples near suspect uranium-processing plants. A few tried to legalize themselves for permanent residence in urban areas. Agents without radios went on brief in-and-out missions on foot to observe, photograph, and exfiltrate.

At the same time hundreds of agents were being sent in to cover military targets in Eastern Europe from bases in adjacent areas. Border-crossing became the order of the day, easiest from Berlin, more and more dangerous elsewhere as the barbed wire, plowed strips, and alarm systems made the Iron Curtain more dense. Agents were sent in to observe specific airfields or factories, to make contact with old friends and recruit likely prospects, to establish themselves in strategic locations, to act as couriers, to service dead drops, etc.

These cross-border operations involved enormous resources of technical and documentation support, hundreds of training officers, thousands of safe-houses, and, above all, hundreds of courageous men who preferred to fight the Russians or the Communists rather than linger in the DP camps or emigrate to Brazil. Scores of agents paid with their lives for our concern. All this effort, however wasteful in retrospect, was demanded by the requirements of the Pentagon and the field commanders in Europe. Their demands reflected the almost frantic fear of a Soviet military move into Western Europe, especially after Korea.

With Stalin's death in 1953 and the easing of legal travel into the Soviet Union and Eastern Europe, the lessening urgency of ground military requirements, and the increased focus on Soviet political intentions, the emphasis in AIS operations shifted to the "legal" approach, the classic form of peacetime penetration. The Soviet official stationed abroad became one target, as his connection with Moscow and eventual reassignment to his headquarters made him a source of the greatest potential value: an in-place agent in or near the corridors of central power in the Party-government. The main agent source on Soviet matters during the fifties was a Soviet military officer whose reporting from 1953 to 1958 provided the U.S. government with detailed documentary information on strategic as well as tactical military matters, including the Berlin crisis. He was succeeded in the

crucial years 1961–63 by Colonel Penkovsky, whose coverage of Soviet missile development was of vital strategic value.

From the late 1950s on, agent coverage of military-industrial targets within the Soviet Union was gradually superseded by both photographic and electronic coverage, which in terms of importance and volume far exceeded reporting through human sources.

American operations against Communist parties during the early years of the cold war were mainly designed to uncover their sources of secret funds, to ferret out their underground apparatus, and to establish their paramilitary capabilities and plans. On the political side, an occasionally valuable insight into the councils of Party leaders in Moscow came from their contacts with senior and respected Communist party leaders abroad.

After the 20th Party Congress in 1956, with the shift from direction to persuasion in Moscow's relations with foreign parties, more and more serious political discussions with foreign party leaders took place in Moscow. Senior party officials from Europe, Asia and Latin America became a useful source for the political views and regional intentions of the Soviet leadership. In the past 15 years the penetration of parties in these areas has served, for example, to supply details of the Sino-Soviet rift long before it became public, to record the underlying rationale of Soviet policy toward the Asian subcontinent, and to monitor the advice given the Arab parties during the various Near East crises.

From the late fifties the requirements for intelligence coverage broadened rapidly. Mideast tensions, troubles on the Indian subcontinent, heady events in Africa, the spurt of Chinese activity abroad in the mid-sixties, Castro's overseas programs, coups and counter-coups on four continents, the evolving situation in Indochina—all became grist for Washington's intelligence analysts and targets for agent coverage.

The U. S. intelligence community soon became a global city desk to support the role of global policeman. The policy-makers wanted to know what was going on everywhere. The intelligence analysts set requirements and priorities that justified the collection of almost any information. Good researchers are omnivorous, and the man on "Paraguayan political" wants to know as much about goings-on in Asuncion as the Czech specialist about affairs in Prague. In the intelligence sector, as in the public media, the

information explosion brought fast communication of more information with lesser interest.

Washington intelligence became an all-source glut: millions of words daily from foreign radio broadcasts, thousands of embassy and attaché reports, a stream of communications intercepts, cartons of photographs, miles of recorded electronic transmissions—and a handful of agent reports. More and more, intelligence collection became devoted to current intelligence, to the minutiae of history that fill the daily and weekly bulletins to keep the policy-makers informed.

The AIS has not been immune to the pressures for such day-to-day coverage. More and more of its assets have been devoted to reporting from behind the scenes on current events, and a great deal of its effort has been expended on the coverage of internal affairs in countries of the most marginal importance to the U.S. interest. As the Service became more tactical, and monthly production the yardstick of accomplishment, it has naturally devoted less time to the strategic operations that normally take years to develop.

III

Counterespionage operations are the hard core and essential resource of any intelligence service, for their primary purpose is to assist in guarding the nation's diplomatic and military secrets, including its own intelligence operations.

In 1946 AIS knowledge of the wartime Soviet intelligence services was confined to a scattering of names and operations culled from captured German and Japanese documents, a brief British organizational study, and a handful of wartime domestic spy cases. The counterespionage files were rapidly filled in the next ten years with the names of tens of thousands of Soviet "agents" that poured in from émigrés, intelligence mills, friendly security services, and AIS contacts. Anyone a "source" did not like became a Soviet agent: Soviet officials, Communist party members, hostile émigré leaders, leftist politicians, liberal journalists and labor leaders, etc. Most of this reporting was trash and treated as such.

During the 1950s hard information on the Soviet services and their operations was gradually built up from direct surveillance, arrested agents, intelligence defectors, and double-agent operations. Defectors were the richest source, and in the early sixties

served not only to provide detailed information on Soviet intelligence personnel both at home and abroad and on the organization of the Soviet intelligence agencies and their methods of operation, but to identify hundreds of Soviet agents, mainly in Europe, many in NATO, who were arrested or monitored for further leads. The impressive list of exposures of Soviet penetrations of European intelligence services in the 1960s is directly traceable to leads, sometimes explicit, often vague, from both Polish and Soviet intelligence defectors.

The main counterespionage purpose of the AIS, however, is to detect and neutralize Soviet operations directed against strategic U.S. targets. Soviet intelligence has made, and continues to make, a determined effort to plant or recruit agents in the policy levels of State and Defense, and in such intelligence organizations as the National Security Agency, the CIA and the FBI. Virtually all their operations against American targets originate abroad (they recognize the security and psychological hazards of recruiting an American official at home), and it has been the task of the AIS to uncover overseas leads and transmit them to the FBI for follow-up once a recruited or potential agent returns to the States.

For some years now the KGB, the Soviet civilian service, has carried on a systematic program to recruit Americans attached to official installations abroad. It is mainly interested in younger personnel, both file clerks and secretaries with access to classified information (code clerks are, of course, top priority) and Marine guards who can be most useful in safe-opening operations or installing concealed microphones. Some two to three hundred cases of direct approach by a Soviet officer are reported each year. Upon occasion an American who is approached may be encouraged to continue the contact if he is agreeable.

To what extent the KGB has been successful in penetrating federal agencies is bound to be a matter of conjecture. Unfortunately, in counterespionage operations what one can be sure about, what one knows about, may be insignificant compared to what one doesn't know about: the parameters of ignorance are limitless. Only if the AIS should secure the cooperation of the American desk chief of the KGB in Moscow could we say with assurance that there is or is not a Soviet agent in X or Y installation in Washington.

If there is such an agent, it is most unlikely that he is being

handled out of the Soviet Embassy in Washington. The principal operational resource of the Soviet services abroad is not their official residents under diplomatic cover, but the "illegals" who have been dispatched to the West in increasing numbers during the past 15 years. These illegals, normally well-trained Soviet citizens with false Western documents and a carefully built-up legendary past, live and act as normal citizens in their country of residence, and have their own separate communications with Moscow. They are almost impossible to uncover by the usual investigative methods. Unless they make a mistake, or give themselves up (as his assistant resident did to implicate Colonel Abel), they are as safe as any secret agent in an open democratic society can be. The search for illegals continues to be a frustrating priority for both the European and American services.

Meanwhile, the role of some Soviet intelligence officers under diplomatic cover ("legals") is changing. The highly touted percentages of intelligence officials in any overseas Soviet installation—50 percent, 60 percent, 70 percent—can no longer be equated with the volume of Soviet espionage or other clandestine activities. More and more, experienced KGB officials have been assigned in recent years to duties other than running spies and working secretly with student and labor leaders.

Soviet diplomatic requirements in political, economic, trade and propaganda matters have grown dramatically since Khrushchev's day, and have outstripped the capacity of the Soviet Foreign Office. Experienced KGB officers are now often assigned to work as diplomats devoted to making friends in the Soviet interest without breaking the law. They are now, both in New York and in the great cities of Europe, hard at work developing friendly contacts with persons of influence across the spectrum of public and private elites: politicians of the Center and the Right as well as the Left, labor leaders of all political complexions, key editors and journalists of all hues, and prominent members of the business and banking communities.

These Soviet contacts can be loosely called agents, but not spies. They are "agents of influence," persons who can sway national decisions on truck-assembly plants, loan terms, or Siberian investment projects in the Soviet interest. The new Soviet "diplomats," knowledgeable, sophisticated, linguistically competent, are earning their keep far better than by running a handful of spies in military establishments that have few secrets left. The

KGB has become for Washington a diplomatic service to compete with as well as an espionage service to counter.

The Soviet services remain a formidable adversary on the espionage front. Their overall investment in secret work abroad has not declined since the days of "capitalist encirclement," and even today their operational personnel, both legals and illegals, number at least five times those of the American and European services combined. Ironically, as more and more military, technical and industrial information in the Western world has become freely available to Moscow, Soviet recruitment efforts against American and European targets have increased.

IV

No chapter in the history of the CIA is as public or controversial as its covert action program. When, in 1948, spurred by the Communist takeover in Czechoslovakia and the Italian political crisis, the National Security Council gave the CIA the responsibility for "political, psychological, economic, and unconventional warfare operations," the straightforward espionage mission of the AIS was enormously broadened, if not distorted. Known within the Service as "the PP mission," and originally carried out by a separate operating component within the CIA (the Office of Policy Coordination), these action operations and the new personnel responsible for them were soon integrated into the espionage and counterespionage service. This merger had a significant and enduring effect on the conduct and public image of American secret operations.

The cold war rationale for the covert action mission was simple: help stop the Russians. With Soviet troops poised to overrun Western Europe and "international communism" threatening the "free world" in France and Italy, Greece, Iran, Vietnam and China, with the military establishment severely reduced and State's diplomatic initiative stalemated, the White House gave its own new "secret arm" the offensive mission to fight the Russians with their own weapons.

If the size of Soviet intelligence operations can be estimated as roughly five times the size of their Western counterparts, the comparative scale of Soviet clandestine political operations has been even more disproportionate. The use of front organizations, an old Soviet staple, rose to new heights in the late Stalin period, and through them, as well as by direct subsidies to Com-

munist parties and labor unions, the Soviets poured vast resources into the attempt to install Communist or friendly leftist governments in Europe, in Asia and in Latin America. An important adjunct was the use of wider propaganda-type organizations to sell the Soviet line and to denounce the West, especially the United States. The danger posed by these activities in the 1950s was not an illusion, and "covert action" became a popular expedient for taking American initiatives in the cold war without obvious official involvement. Presidents from Truman to Nixon were not reluctant to use it.

The secret offensive was three-pronged:

(1) To attack the enemy on his own terrain by supporting internal resistance movements (in the Ukraine, the Baltic States, Poland, and Albania); by supporting anti-Soviet or anti-Russian emigrés abroad, especially in Europe; by weakening the morale of the Soviet citizenry through propaganda delivered over the air (Radio Free Europe, Radio Liberty), by balloons, or through rumor campaigns.

(2) To contain, or roll back, "communism" in the "free world" by subverting Communist, crypto-Communist, or radical leftist governments (the labels were attached by the National Security Council) in Iran, in Guatemala, and, finally, in Cuba; by supporting non-Communist governments threatened by Communists in the Third World, culminating in Laos and South Vietnam; and by supporting "democratic" parties, labor unions, and intellectuals mainly in Europe during the shaky 1950s, and in Latin America during the 1960s. The case of Chile exemplifies the full range of political action operations from all-out support of a "friendly" Frei government to covert, as well as overt, actions designed to weaken an "unfriendly" Allende regime.

(3) To counter Soviet propaganda and international Communist fronts on the global scene by founding and funding publications, supporting anti-Communist editors and journalists, and orchestrating international propaganda campaigns; by building up "democratic" front organizations to counter the Communist fronts among students, youth, teachers, labor, etc.; by subsidizing American student and labor organizations to fight the Communist fronts abroad; by penetrating and upstaging Communist-organized World Peace meetings, youth rallies, and assemblies.

This broad assortment of propaganda, political and para-

military operations was assigned to the secret intelligence service in order to hide their official sponsorship. The operations themselves, of course, from radios to invasions, were public events. The task was to cut the line from sponsor to actor, or at least to obscure it enough to place Washington in a position to deny official participation with a straight face.

"Plausible denial" was an oft-used phrase in the 1950s, and much ingenuity went into the planning of cover-stories or alternate explanations for proposed operations. Yet it was, even then, a hollow phrase, for it was impossible to deny operations that were exposed. In some, mainly large-scale paramilitary operations (the Guatemalan and Cuban invasions), denial was incredible. In others (the funding of Radio Free Europe), denial was implausible or pointless. Still others (support of the National Student Association) were undeniable when blown by participants. It is difficult to say in each case for whose benefit the operations were to be denied. The Russians? Our allies? The American public? World opinion?

It is simple enough to say now that what was worth doing in the 1950s (and early 1960s) should have been done openly—we could have invaded Cuba as we did the Dominican Republic, subsidized anti-Communist radios and publications openly as we do now, and so on. Yet the arguments against such a course at the time were not trivial or without merit. With the Soviets managing to conceal their hand on many occasions, a public American response would have led to the application, to America's grave disadvantage, of the double standard that many in the world have all along been inclined to apply to Soviet and American actions. And, for a time, the anti-Communist sentiment of the Congress and public was so indiscriminating that would have been impossible to conduct, under the open eye of both, the kind of reasonably sophisticated operations needed to appeal to important forces abroad that would not accept the full range of American views or practices, yet were determined to resist being taken over by Communist forces.

As the years passed, these initial reasons largely lost their force, and it was a cardinal mistake not to have reacted to the change in circumstances before exposure finally forced the government's hand in the mid-sixties. Thus, the NSC assignment of the charter for covert action operations to the CIA has served to bring both the AIS and the CIA as a whole into the public disrepute it now

enjoys. There is little point in arguing whether the White House was right or wrong in using the CIA as the “third leg” of our foreign policy mechanism. The cold war Presidents who allowed the Departments of State and Defense to shunt distasteful operations off on the “secret arm”—and the CIA Directors who, eagerly or reluctantly, accepted these incompatible tasks—felt the stakes requiring action were high. As time went by, however, they ignored not only the need for change but the drastic impact of lumping “noisy” action missions with secret intelligence operations. What was always an uneasy pairing became in time a self-defeating amalgam of disparate missions, and the damage not only to the reputation of the CIA but to the conduct of secret intelligence became progressively more serious.

V

In assessing the present and future state of the AIS, its action responsibilities provide the crucial matter for debate and decision. Covert action operations have declined steadily since the early 1960s outside of Indochina. Under Presidents Kennedy and Johnson, the use of covert methods to support particular candidates for office, or aspirants for power, in nations abroad became the rare exception, and today the practice has virtually died out—so that the ratio of charge to reality, in this area at least, is now extremely high. Yet the CIA charter remains in force and AIS action capabilities still exist. It is covert action—psychological, paramilitary and political—that raises not only pragmatic but political and moral issues.

Psychological warfare operations not only do not belong in a secret service, but they are an anachronism in today’s world. They should be discontinued.

Paramilitary operations pose a more serious question. That the United States must keep a paramilitary capability in being for wartime use will probably not be questioned by most observers. What has become clear, however, is that a secret intelligence service is not the most suitable vehicle for running paramilitary operations. With the special privileges granted it by Congress, the CIA has been able to develop a highly efficient logistics machinery for moving personnel, equipment and funds rapidly and secretly around the world. It has therefore been called upon to carry out even large-scale paramilitary programs that would more logically fall to the Department of Defense.

There is little reason why the paramilitary charter should not be transferred to Defense, where all three services have appropriate specialized personnel, equipment and training facilities in being. All that is needed to make Defense effective in covert operations is to convert a small section of its command structure into a special operating unit which can be given congressional authority to move funds, personnel and equipment outside the bureaucratic system. This reassignment of responsibility would also bring future paramilitary operations under established congressional oversight and review.

If the AIS were to be stripped of its psychological and paramilitary operations, it could again become a truly secret service even if it retained a modified responsibility for political action.

Here, in the sphere of secret political action, the moral-political question appears to outweigh the pragmatic. How far should one nation interfere in the internal affairs of another nation?

In practice every major nation interferes daily in the affairs of other nations: by military and economic aid (or its denial), diplomatic arguments, short-wave broadcasts, fellowships and travel grants, etc. In short, Washington, like Moscow, is in this broad sense interfering all over the world all the time.

The more realistic way to phrase the issue is perhaps: to interfere *secretly*. And here no clear line can be drawn, for much of our official interference is secret: for example, the Ambassador's or military attaché's private conversation with a local politician, labor leader, or general. Perhaps the issue should be even more narrowly phrased: to interfere with *money*. Yet money is involved in many acceptable forms of international dealings—travel grants, say, or American fellowships. Perhaps the issue finally becomes: to interfere with *secret money*. Put in its most loaded form: should Washington bribe a foreign politician or labor leader to act in the American interest?

Here the line between "right" and "wrong" becomes cloudy indeed. When do private understandings with a chief of state become sinister? When does the passage of money or air tickets become bribery? It is at this level that the moral issue has to be settled if it ever will be—for noninterference is one of the vaguer terms in the vocabulary of coexistence.

It was proposed in a recent issue of this journal that the government "should abandon publicly all covert operations de-

signed to influence political results in foreign countries” and restore the American Service to its original intelligence mission.² I would assent to this proposition with one exception and with one caveat.

The caveat first. If the President announces publicly that the CIA will no longer carry out secret political operations, no one will believe him—not the Russians, not our friends and foes around the globe, not the American public or press. “CIA” has become as much a symbol of American imperialism abroad and of secret government at home as the KGB has become, with American assistance, the symbol of Soviet imperialism and domestic repression. It is far too useful a symbol for anyone to give up, and no one will. A public statement that the U.S. government has now returned to the path of pristine democratic practices would be a quixotic, if not a slightly humiliating, gesture.

The exception is more controversial. Propaganda and paramilitary operations do not belong in a secret service—even if they are worth doing—nor, under today’s conditions, do secret operations designed to sway elections or to overturn governments. Yet the kind of clandestine intelligence contacts that are still required, simply to keep on top of complex and important situations, cannot on occasion avoid having political overtones. The justification is, as it has been, to combat what remains the very large political activity of the Soviets and their allies. Their large-scale support for political elements in many countries of the world often leaves opposing non-Communist political figures naked and without adequate support. For the United States to stay in close touch with such elements is an elementary precaution, and there will continue to be occasions when support of a few individuals for intelligence purposes cannot (and should not) be separated from a measure of support for their political ends. There is little reason to rob the President—or the local Ambassador—of the chance to provide confidential support to a politician or labor leader who cannot afford to accept American largesse publicly.

Nor can we avoid the occasional political implications of intelligence liaison relationships with the secret services of other countries, the great bulk of which are with friendly nations whose services are under proper democratic control. In some

² Nicholas deB. Katzenbach, “Foreign Policy, Public Opinion and Secrecy,” *Foreign Affairs*, October 1973.

cases such liaison has been conducted with governments whose independence has seemed, as a matter of national policy, to outweigh their failure to live up to democratic norms. It is inevitable that on occasion such governments will turn, by our standards, very sour indeed, as in the case of the Greek colonels, and it is a regrettable fact that an intelligence liaison aimed at external targets can then place the United States in the position of being attacked for an unintended degree of support for the local government. The key point here, however, is that intelligence liaison, like military or economic aid, is part of overall national policy, and reflects that policy: it does not normally operate in a vacuum. Indeed, in a few cases this service-to-service relationship has become the sole channel of communication with Washington for a government that has cut off diplomatic relations.

VI

Two fundamental questions face the AIS today: can it remain a professional service and can it become a truly secret service? Neither question can be isolated from a consideration of its structure and its mission.

Relatively modest and independent in its beginnings (as the Office of Special Operations), the AIS doubled, then tripled in size with the creation of a parallel action office (Policy Coordination) and in the overall post-Korean expansion. It went the way of the entire intelligence community: a large bureaucracy with large staffs, interminable coordination, and countless echelons of decision-making.

The lethargy and timidity normal to a civil service bureaucracy exact a particularly heavy cost in an intelligence service where taking chances based on personal judgment is its main business. A Service is as good as its agents, and its agents are as good as the competence and initiative of the case-officer on the spot. Faced with a hypercautious, if not anxious, headquarters, the case-officer soon learns not to take chances. He plays it safe by keeping the bread-and-butter agents he has and not invading dangerous new ground—like the local foreign office or security service. The Service suffers.

As the AIS grew in size, it also became more and more closely integrated into the large-scale civil service bureaucracy that is the Central Intelligence Agency. Relatively independent at its inception, with its own administrative support structure, the AIS

gradually became dependent on the CIA for its logistics, staff recruitment and training, personnel and accounting procedures, etc. Its integration into the Agency was capped by the move of all CIA components into a single headquarters building in Langley, Virginia, a move strongly opposed by many senior AIS personnel on security grounds. This objection was overruled with the assurance that the larger overt Agency elements would provide useful cover for the secret operators. Too many people inevitably came to know more than they needed to know about agent sources as compartmentalization broke down in the togetherness of researchers, administrators, and operators.

These, and other, considerations have led some AIS officers over the years to raise the notion of a separate truly secret intelligence service. The aim is a small elite professional service devoted exclusively to recruiting high-level agents against carefully selected long-term strategic targets. There would be no pressures for current production, no wholesale reporting requirements, no leaks to analysts, journalists or Soviet officials, no bureaucracy to hold up recruitment, no vast intelligence community to "service." Its foreign operatives would live under private, mainly commercial cover, reporting by unofficial communications to a small head office in, say, New York, whose anonymous chief would be directly responsible to the Director of Central Intelligence in his capacity as the President's head of the intelligence community.

The present Operations Directorate of the CIA would remain the integral part of the intelligence community it has become. It cannot be extracted from its present structure—as, for example, it would be administratively simple to extract the Federal Bureau of Investigation from the Department of Justice. Nor should it be. Although the Operations Directorate would no longer be depended upon to provide agent coverage of strategic intelligence targets, it would continue to function abroad on a reduced scale and with a more innocuous mission: to maintain liaison with local security and intelligence services, to protect the Embassy from hostile penetration, to handle agent or defector walk-ins. It would also serve as a channel for confidential communications between the Ambassador and the President or between the host government and the State Department, and supply local support for other elements of the intelligence community, including the National Security Agency, the military services,

and the FBI. Wherever feasible, and with deference to the sensitivities of the local situation, the CIA station chief might be overtly accredited as the CIA representative. He would, in any event, act as the Ambassador's overall assistant for intelligence matters.

However quixotic on the surface, a small American secret service separate from the federal bureaucracy is not at all impractical—given the will in high places. The concept of such a service is not too far removed from the Soviet system of illegals: carefully selected personnel, hand-tailored communications, small-scale operations, select priority targets. It would remain professional and secret.

The present Central Intelligence Agency, shorn of its strategic espionage mission, would not be affected in its structure or main functions. It would continue to carry out its overt and technical collection operations, to provide its extensive services of common concern to the entire intelligence community, and to do current and in-depth analysis and research. It would, above all, continue to focus on its main *central* function—to give the White House intelligence estimates on situations and trends abroad that are as objective as men can make them. Only an agency exclusively concerned with intelligence can avoid the intrusion of bias into honest judgments that comes from the pressure in the Departments of State or Defense to support a specific diplomatic tack or a larger military budget.

This proposal would simplify the vexing issue of congressional oversight. With overt and unexceptionable covert activities more clearly separated from truly covert ones, the supervision of the CIA itself would be substantially freed of the fear of exposing those operations that almost all members of Congress agree should remain secret. Present committees could thus operate more effectively. The truly secret operations of the AIS might best be reviewed by an ad hoc group of the top majority and minority members of the key committees who would weigh the policy implications, not the operating details, of the secret program.

Setting up a separate espionage service is only one side, and the simpler side, of the problem. What would be its mission? What targets would it be directed to cover that would justify its cost?

Sensibly limiting information requirements could halve the

size of the intelligence community devoted to collection. Only against a clear-cut yardstick of essential information can a congressional oversight group or a presidential advisory group measure the effectiveness of our intelligence effort. With covert psychological warfare a relic of the past, with paramilitary operations (if any) handled by the Pentagon and subject to the usual congressional scrutiny, with secret political actions carried out only at the express direction of the National Security Council, there would remain only the espionage and counter-espionage operations of the new AIS for the Congress to "over-see." And here the task should be to test performance by the product: raw agent reports measured against the government's requirements.

Requirements properly come from outside the intelligence community. Intelligence exists to serve the decision-makers, and agent reports (ideally) fill the gaps in other coverage. For a small strategic AIS to carry out operations of real value requires that the policy-makers project with some concreteness their foreign policy objectives well into the eighties. Only then can they articulate, by countries or categories of information, their priority intelligence targets. As the simple confrontations of the cold war give way to the more complex alignments of today, as economic and fiscal questions replace military hardware as topics of major interest, the intelligence needs of the White House are bound to shift. Is the Tokyo-Moscow axis a top priority? Are the Swiss bankers—or the German industrialists—a more important target than the Chinese General Staff?

Who will answer these questions?

It is possible, in a sanguine moment, to see a select joint congressional committee sitting down with the National Security Council and talking about the problems America faces in the decades ahead. They should confer until they come up with a clear statement in simple English of our long-term national objectives and a concrete list of specific areas and countries vital to our nation's interest.

In an even more sanguine moment one can envisage a broader, more representative body sitting down every two or three years and examining the *performance* of our foreign affairs and intelligence activities abroad. Such a group, chaired by the Vice President and supported by the National Security Council's administrative machinery, would ideally include not only Con-

gressmen, but security-cleared citizens from business, labor, the media, academia. Their report to the American people might add a welcome breath of fresh air to the stale words from Washington.

Any decisions on our purposes in this faltering world can come only from the top and not out of the bowels of our foreign affairs bureaucracies. And those decisions cannot come by two-year or four-year executive fiat. They should be reached with the widest possible participation. The new President with his close ties to Congress is the ideal man to broaden the base for executive decisions in foreign policy. He should take the initiative in inviting the Congress to share his "awesome" responsibility for foreign affairs—perhaps even go so far as to first invite a systematic national debate. He can raise the level of that debate by being more open with the public on now-classified intelligence available within the Executive Branch. There is much to be gained, and—properly screened—little to be lost by publishing some of our excellent satellite photographs, or select national estimates on strategic situations as they arise, or current intelligence reports on significant events abroad.

The system of American democracy need not be exhausted by its present institutions, nor should the citizen sit on his hands as the complex pressures of an industrial society force the cancerous growth of the executive. No President in the future should be allowed to say on his own that the Dominican Republic or Cuba or Vietnam is vital to the American interest.

Once set, and amended, long-term national objectives lead to strategic intelligence as well as diplomatic targets, to a clean-cut mission for the new AIS. It is likely that these targets may lie in Zurich and Tokyo as well as Moscow or Bucharest or Cairo and concern themselves as much with goods and currencies as with war and politics. It is even possible that the AIS might on occasion, like the KGB in the recent Soviet grain deal, pay for its own budget by saving the taxpayer money.

VIETNAM: THE WAR THAT WON'T END

By Maynard Parker

VIEWED through Vietnamese lenses, Vietnam has always been the center of the world and Indochina the center of the universe. And in the late 1960s, it seemed as if America shared that peculiar vision of the world. The war in Vietnam became the scar on the national psyche. It dominated our national agenda, flickering into our living rooms each night through television, fueling a series of firestorms of protest, laying the groundwork for the dislocations that still hobble the nation's economy, driving thousands of young Americans into exile and an American President from office. In the end, 2.6 million Americans served in that far-off land and 56,000 died there in what had become, without our quite knowing why, the nation's longest war.

Since the signing of the Vietnam peace agreement in Paris and the return of the last American prisoner of war 21 months ago, however, the war in Vietnam has faded rapidly from the national consciousness. With a few notable exceptions, our newspapers no longer carry stories from Saigon; it has been nearly two years since an American President has even been asked a question about Vietnam at a news conference. To all intents, Vietnam seems to be slipping back into what John Kenneth Galbraith called "the obscurity it so richly deserves."

Yet, in reality, the war in Vietnam is far from being finished. Nor, it seems to me, has the question of American involvement in the war finally been answered. In the 23 months since the ceasefire, nearly 100,000 Vietnamese soldiers and civilians of all political persuasions have been killed. Furthermore, instead of a general decline in the level of hostilities on the battlefield and the slow beginnings of a political dialogue between non-Communists and Communists, the exact opposite appears to be happening. In both Paris and Saigon, political talks between the two sides remain indefinitely suspended while on the battlefield the tempo of combat has begun to accelerate. The number of incidents in August of this year, for example, was nearly twice that of August 1973. That the war goes on should surprise no one—least of all the signatories of the Agreement on Ending the War and Restoring Peace in Vietnam. The drafters of a peace agree-

ment who make careful provision for the resupply of the materials of war can hardly have been persuaded that real peace was a likelihood.

To be sure, the peace agreement did bear fruit for all concerned. For the United States, it brought back the POWs and ended the American air involvement. For the North Vietnamese and the Provisional Revolutionary Government, it removed the remaining American ground forces and ended U.S. air support. For South Vietnam, it left the Saigon government, and President Nguyen Van Thieu personally, in charge of a sizable governmental apparatus. Nonetheless, an agreement that failed to answer the basic question of the war, namely who was to hold political power, could scarcely have been expected to lead to anything but a continuation, and possibly a gradual re-escalation, of the war.

Thus, almost inevitably, President Ford, the Congress and, in the final analysis, the American people will be called upon in the coming months to face once again the agonizing dilemma of Vietnam. Given the fact that U.S. aid is instrumental in providing both the economic underpinnings of political stability and the arms and ammunition for the battlefield, should the United States slightly reduce, maintain, or even increase its aid to Vietnam? Or has the "decent interval" sometimes mentioned by Henry Kissinger already occurred, so that the United States should in the next few years incrementally reduce its aid to Saigon to near zero—a policy of benign neglect that would certainly cause the collapse of South Vietnam as we now know it? Given the fact that neither the South Vietnamese nor the North Vietnamese seem capable of implementing the Paris peace agreements by themselves, does the United States have any residual responsibility for initiating another great-power effort to reimplement or redefine the accords? Or should we not save our limited negotiating assets in dealing with the Russians and Chinese for such other pressing problems as the Middle East, SALT or Taiwan?

II

Any answers to questions such as these demand a look backward into South Vietnam's most recent past, specifically the Vietnam years of the first Nixon Administration. This is important, I think, because for most Americans the learning process

about Vietnam stopped abruptly with the Tet offensive of 1968, frozen on the frame of Saigon's chief of police executing a prisoner or of the American embassy under siege. Many, if not most, Americans view the American involvement in Vietnam as something that went from bad to worse and achieved nothing. As a result, not enough attention has been paid to the rather remarkable degree of success achieved by the Nixon Administration on the ground in Vietnam, a strategy of success largely crafted by the late General Creighton Abrams and, to a lesser extent, by Ambassador Ellsworth Bunker.

This is not an attempt to defend that strategy, but simply an attempt to portray the realities. I thought at the time, and still think, that President Nixon could have negotiated in 1969 a settlement very similar to the one he finally produced in 1973. Had peace come to Vietnam in 1969, it would have saved the lives of nearly 21,000 Americans and of many, if not most, of the estimated 600,000 Vietnamese killed between 1969 and the end of 1972;¹ it would have brought the prisoners of war of all sides home four years earlier; and, in the more cold-blooded terms of American interests in Southeast Asia, it would have prevented the extension of the war into Cambodia and the enlargement of the war in Laos. In retrospect, however, it is clear that in choosing to adopt a strategy of first building up Vietnam and then negotiating from a position of strength, the Nixon Administration did, at least in the short run, change the realities of power in South Vietnam. Indeed, in the end many of the things that American governments liked to say about Vietnam actually became true. Economically, the application of billions of dollars created a genuine economic revolution in the countryside and a more artificial, but nonetheless real, boom in the urban areas. Politically, single-minded American support for President Nguyen Van Thieu and Thieu's own political skill brought a period of unparalleled political stability to the country. And militarily, the more sophisticated albeit bloody use of the American and Vietnamese military machines snuffed out the revolution of the National Liberation Front in all but a few areas of the country and drove the major part of the armies of the Democratic Republic of Vietnam out of South Vietnam and back to their own

¹ According to Defense Department figures, 15,553 Americans died in combat between 1969 and the ceasefire, and there were 5,176 non-combat deaths. The Defense Department estimates there were 107,504 South Vietnamese and 490,635 North Vietnamese and Viet Cong killed in the same period as a direct result of military operations.

country or into Laos and Cambodia, by mid-1970.

Of all these accomplishments, the military achievement is in many ways the most extraordinary. As Henry Kissinger has pointed out in these pages,² the initial employment of American units in the war achieved little because the American army put its emphasis on multi-battalion operations and on fighting battles over remote and usually sparsely inhabited pieces of real estate. By contrast, the enemy put his emphasis on controlling the South Vietnamese people in the heavily populated lowlands, a strategy that during the Tet offensive allowed the North Vietnamese and the Viet Cong to capture Hue temporarily and to come close to overrunning several other major cities, including Saigon.

Taking over the command of American forces after the Tet offensive, and at a time when the American public was effectively committed to an American withdrawal from Vietnam, General Abrams immediately went on the offensive and made control of the population his main objective. In the beginning, almost of necessity because of the Tet offensive, Abrams bunched his forces around the beleaguered cities; but soon he was using his American main force units as his cutting edge, slowly pushing out through the populated areas toward the borders. Moreover, under Abrams, American tactics changed radically. As Abrams perceived it, the logistics system of the North Vietnamese and the Viet Cong was their weakest link; unlike conventional Western armies whose logistics system trailed behind the fighting units, the Communists' logistics system—the supply caches and communications system—was shoved out in front of the advancing units both in order to keep the Viet Cong infrastructure resupplied and to provide the supplies for any North Vietnamese main force attack. Accordingly, in place of massive search-and-destroy operations, Abrams' watchword became "working the system," picking up the caches, the communications runners and the resupply couriers. To do this, the American units were broken down into hundreds of squad and platoon sized units, and instead of being told to compile a high "body count," they were told to get a high cache count.

Behind this protective shield of regular American and South Vietnamese army (ARVN) units, the American and Vietnamese command in effect garrisoned the countryside with militia forces: Regional Forces (RP), Popular Forces (PF), and a People's

² Henry A. Kissinger, "The Viet Nam Negotiations," *Foreign Affairs*, January 1969.

Self-Defense Force. Within a few months beginning in 1969, the numbers of these forces were vastly increased. While the ARVN increased by 100,000, the regional force units grew by 200,000 between 1969 and 1972. The number of RF/PF outposts grew from 474,900 to 519,800. The People's Self-Defense Force was created from scratch and eventually reached a size of 1½ million. The RF and PF forces which heretofore had been equipped with World War II-vintage rifles were reequipped with modern weaponry that matched North Vietnamese firing strength and, for the first time, were given full-time American advisors. The massive arming of these forces was a significant sign of new morale on the government side at this time.

Concurrently with this rapid buildup of armed government strength in the countryside, the new "Accelerated Pacification Program" (ACP) added still more elements of governmental strength to the countryside. Originally conceived in the autumn of 1968 (following President Johnson's decision to stop the bombing of North Vietnam) as little more than a land-grabbing operation that would put as many South Vietnamese flags over South Vietnamese villages as possible, the ACP brought a more-or-less effective government presence to the villages for the first time; although it is doubtful whether the ACP won any large number of converts to the Saigon government's side, it did provide a modicum of security and economic development to the villagers. Although the Revolutionary Development teams were not the counter-guerrillas that they were taught to be, they did manage to reopen schools and markets. Although the Phoenix program did undoubtedly kill or incarcerate many innocent civilians, it did also eliminate many members of the Communist infrastructure. And although much of the economic aid given to each village was siphoned off by various Vietnamese officials, at least some of it was used to drill wells, build roads and canals and reopen schools.

Instrumental in the success of the post-Tet strategy of gradually pushing the North Vietnamese main force units out of South Vietnam, of severing their supply and communication links with the local Viet Cong infrastructure and then of either eliminating or allowing that infrastructure to atrophy, was the Cambodian invasion of April 1970. Although the announced purpose of the Cambodian invasion was to capture and destroy the Central Office for South Vietnam (COSVN), in reality the main pur-

pose of the operation was less glamorous but more complex. Traditionally, insurgent armies have rarely lost guerrilla wars in which they had sanctuaries to care for their wounded, to refit and train new recruits and to plan battles. For the North Vietnamese, the Cambodian sanctuary was all these and more. It has long been one of the war's cherished myths (a myth inculcated not only by the North Vietnamese but by the American Air Force and by many American civilians) that the bulk of the enemy's supplies came down the Ho Chi Minh trail on the backs of coolies. In fact, with the exception of the far northern portion of South Vietnam, the great bulk of North Vietnamese supplies were shipped in through Sihanoukville (renamed Kompong Som) and trucked to the front. Thus, the Cambodian invasion offered the U.S. military command an opportunity to attack not just the retail end of the enemy's system, but the vital wholesale link. It was not so much the fact that the American and Vietnamese invaders of Cambodia killed so many enemy or found so many tons of caches that was important; it was that they so disrupted the enemy's system in Cambodia that they bought at least two years of time for Vietnamization and for an American withdrawal.

An essential domestic corollary to this military strategy was, of course, the Nixon Administration's presentational success in buying time for the war with the American electorate. Although the American anti-war movement was a constant reality during President Nixon's first term, it never—with the single exception of the period immediately following the Cambodian invasion—had the effect of forcing the Administration to make decisions either on the battlefield or at the Paris negotiations that it did not really want to make. The reasons for this seem obvious, but nonetheless worth reviewing. Although millions of Americans were sincerely and genuinely outraged by the brutality of the Vietnam War, the Nixon Administration, and particularly Secretary of Defense Melvin Laird, realized that the vast majority of Americans were opposed to the war not because of any moral concern over what was happening to the Vietnamese, but because they did not want their sons to die in the rice fields of Vietnam. Accordingly, the Administration correctly deduced that if it could lower both the draft calls and the weekly American killed-in-action (KIA) casualty figures, they could take much of the steam out of the anti-war movement. Almost automatically, the draft calls were reduced as the American withdrawals began; and the

public impression that they would stay low or eventually be done away with completely was reinforced by Secretary Laird's espousal of the all-volunteer army in mid-1972. Draft calls were reduced from 382,010 in 1966 to 162,746 in 1970 to 49,949 in 1972. Similarly, Secretary Laird moved to reduce American casualties by instituting the "protective reaction" strategy—a strategy that worked partially because the enemy was already on the defensive and because Abrams' strategy of working the system had become so successful by 1970 that most offensives were preempted before they actually began; as a result, American weekly KIA figures fell from an average of 279 in 1968 to 81 by 1970 to 26 by 1971. Finally, of course, the Administration discovered that the American people were basically willing to let it set its own timetable and find its own way out of the war—as long as the Administration was seen to be ending American involvement in the war by pulling out troops. Indeed, the only time that public opinion truly exploded was during the Cambodian invasion when that public perception of an American withdrawal was rudely shaken.

While this strategy was being carried out on the battlefield, Ambassador Ellsworth Bunker was also endeavoring to strengthen South Vietnam's political and economic base. Although Thieu had been elected President in September 1967, real power at that time remained in the hands of the Vice President, Air Marshal Nguyen Cao Ky, who controlled the premiership and all four corps commanders. Early on, Bunker clearly realized that if even a modicum of public support for the war was to be maintained in the United States and if a peace agreement was to be negotiated that did not hand over political power to the North Vietnamese, there would have to be an end to the revolving-door governments that had afflicted Saigon since the fall of Diem. Bunker also perceived that Thieu was a far better candidate than Ky to accomplish this task, partly because Thieu had at least been born in South Vietnam and had a wider acceptance among Vietnamese and partly because Thieu presented a more reasonable image to the world than that of Ky and his wife touring the battlefield in their Terry-and-the-Pirates jump suits. Consequently, the Ambassador funnelled all political and economic decisions through Thieu—completely cutting out Ky—and as the Vietnamese began to perceive that Thieu was the man with the American mandate, many of them drifted

away from Ky toward Thieu. Simultaneously, Thieu's own formidable skills as a plotter and politician began to emerge as he slowly began to replace Ky men in such crucial jobs as province chief and corps and division commander with Thieu men. Finally, as with most things in Vietnam, luck played a role: in a series of battlefield firefights and accidents around the Tet offensive, nearly a dozen of Ky's closest subordinates were killed or wounded.

In all of this, Saigon's saloon politicians—many of them men of the much mythologized Third Force—became largely irrelevant. Perhaps one day they had counted for something (and might again), but as the war continued, Vietnamese politics became polarized between the ARVN and its civilian supporters and the cadres of North Vietnam's Lao Dong Party. Thieu realized that if he could provide military security and economic growth, the great masses of uneducated peasants and urban dwellers would not actively oppose his rule. Furthermore, the President also realized that if it could be made clear that the Nixon Administration was not engaging in a rapid retreat from South Vietnam, and that he was instrumental in making sure that did not happen, then he could also win to his side the large minority of army officers and men, civil servants and bourgeoisie who in the widest collective sense do exercise real political power in South Vietnam.

If the ensuing stability was a remarkable achievement (when Thieu was re-elected in 1971, many observers did not think he would last out the year, but he is now working on his third American President), the accompanying economic accomplishments were far more crude and, in the urban areas, far more temporary. Basically, the application of billions of dollars in direct aid, the jobs provided by the American expeditionary force, and the huge amounts of money spent by the American forces in Vietnam created an artificial boom that nonetheless gave jobs to people who had previously had none and provided motor bikes and small tractors to people who had previously walked or used an ox. Inevitably, the result of this process was to reinforce the stability of the government in Saigon.

When added to what was happening militarily in the countryside, this application of money was particularly important. Even as late as the autumn of 1967, huge areas of the countryside were under the control of the NLF. For the peasants who lived in

those areas, life was little different economically from life on the government side of the fence, and consequently the NLF's revolution was something that one supported as a fact of life; peasants sent their children to NLF schools, paid their taxes to the Viet Cong and rarely saw a government soldier. Beginning with the implementation of the Abrams strategy—with its emphasis on control of the population—all this changed in the most brutal way. Suddenly, bombing, defoliation, Phoenix raids and forays by American and government troops became a daily occurrence. And as a result, supporting the Viet Cong turned from being an almost mindless act to something that was very dangerous.

But if General Abrams was using a stick, the U.S. aid mission was offering a carrot. While agricultural life on the Viet Cong side remained static, the lavish application of U.S. money meant that rural life on the government side had become more modern and far more prosperous; for the first time in their lives, farmers could own or use chemical fertilizers, transistor radios, motor bikes and even small garden tractors. Not surprisingly, faced with this U.S.-orchestrated combination of terror and prosperity, many of the Viet Cong's less committed supporters moved toward the increasingly powerful position of the government. As I interpret the war, by sometime in the late sixties—and certainly by the Tet offensive—whatever valid revolutionary ideas had been transmitted from the Viet Cong cadres to the peasants and urban dwellers of South Vietnam had been deadened in favor of an overpowering concern for their personal welfare. In early 1968, the North Vietnamese and Viet Cong made their great power push; this failed to ignite the people (although, of course, it had a decisive effect on American opinion) and when the tide of power swung heavily to the government side, the ordinary South Vietnamese in both city and countryside went along. In so doing he was far from believing that Nguyen Van Thieu was a new Ho Chi Minh, but he had ceased to care as much about the ideological factor.

In the end, there was little doubt that the military, political and economic balance on the ground in South Vietnam *had* shifted in favor of the U.S.-GVN side for the first time since the beginning of the Second Indochina War. The United States had in effect carved out a new set of realities on the ground in Vietnam, a set of realities that ultimately allowed Secretary of State

Henry Kissinger to become far more flexible in allowing a North Vietnamese-National Liberation Front presence within South Vietnam (something that would have caused a government collapse in 1969). By mid-1970, this domination of the countryside and the cities was complete and could in fact be measured in many different ways. Government pacification statistics, showing the number of relatively safe hamlets rising from 42 percent in December 1967 to 89 percent in February 1971, were at least broadly correct about the direction and scale of the trend.

More impressive than any statistics, however, was what the enemy was *not* able to achieve. To date the North Vietnamese still have not managed to launch an attack against Saigon, and indeed, from February 1969 until Easter 1972, they were unable to mount any sort of offensive. In many respects, the 1972 Easter offensive, undertaken at a time when there were 40,000 American troops left in Vietnam and underwritten to a great extent by the Soviet Union under strong pressure from Hanoi, was launched because the North Vietnamese realized they were losing the war and had to reinsinuate themselves back into their old sanctuary areas. In adopting a new—and highly conventional—strategy of war heavily based on the armor, artillery and antiaircraft weaponry which they had received from Moscow, Hanoi had in effect written off the Viet Cong as the means of putting the Communists back into the arena in the South. Moreover, although the Communists did achieve their minimum objective of reoccupying their base areas in the north and along the Cambodian and Lao-tian borders, even with their new Russian equipment and tactics they were unable in the face of American airpower and ARVN resistance to exploit and sustain their initial gains and were ultimately forced back onto the defensive. Largely because they were stymied on the battlefield (and partly, of course, because the Russians were refusing to replace immediately their material losses), Hanoi decided to go into the clinch at the Paris peace table even though this meant accepting Nguyen Van Thieu as the leader of the Republic of Vietnam—something Hanoi had said it never would do.

III

Thus, at the beginning of the ceasefire in late January 1973, it seemed to me—as one who since 1966 had lived in or frequently travelled to Indochina, and had been for years highly skeptical

of the war—that Saigon was in a much more tenable political and military position than I would have conceded or imagined possible a few years earlier, and that there was at least a chance that some of the accomplishments of the American era would stand. At any rate the condition of South Vietnam was much stronger and more resilient than many liberal observers were asserting.

In the 23 months since the ceasefire, it has become clear that all three American achievements in South Vietnam—political, economic and military—have begun to erode and are now in danger. Some of this trend was inevitable, for under the pressure of the American military force and the push of thousands of American civilian and military advisors at all levels of the government apparatus, the situation resembled a frozen river on which the Americans and the South Vietnamese could do almost anything they pleased. Without that sort of pressure, there was never any doubt that the ice would slowly melt, and few people ever really believed that the South Vietnamese alone would be able to do what the Americans and South Vietnamese together had never completely managed, namely to defend the entire geographical border of South Vietnam. The critical question, however, is not one so much of erosion—that had been expected—but whether the erosion will stop at a point where the government in Saigon (whether it is headed by Thieu or by another army man who would almost certainly succeed him) will be sufficiently strong to maintain political and economic stability and whether South Vietnam's armed forces will be able to reach an equilibrium with the opposing Communist forces, an equilibrium that was a tacit understanding of the 1973 peace accords.

Economically, the situation inside South Vietnam has deteriorated at a dangerously rapid rate since the ceasefire, although to a certain extent the agricultural sector of the economy has continued to prosper. Basically, of course, the reasons for the Vietnamese recession are rather simple: South Vietnam's national budget of about \$870 million, which includes the funding of a million-man army, costs far more money than the country can possibly hope to generate, so that Saigon is wholly dependent on foreign aid for sustenance. South Vietnam's capacity to generate income has in fact actually declined during the last two years. The 160,000 jobs provided by the American establishment in June 1969 had dropped to only 17,300 by September 1973 and

the total is lower today; the \$400 million spent annually by American soldiers and American organizations on the Vietnamese economy has disappeared entirely. Compounding the problem, the foreign aid that Saigon has received has declined both in numerical and real terms. American military aid to Saigon, for example, has fallen from \$2.3 billion in fiscal 1973 to only \$700 million this year. And although American economic aid has remained relatively steady at approximately \$600 million a year, its value in real terms has declined because of the reduction in the value of the dollar and the increase in the price of such important Vietnamese imports as fertilizers, petroleum, food grains and machinery. This shortfall in aid plus such uncontrollable factors as worldwide inflation and shortages have combined to cause a 45-percent reduction in per capita income, mass unemployment with nearly one million people out of work, and an inflation rate of nearly 90 percent in two years.

Compounding these problems, the expected infusion of foreign and local Chinese and Vietnamese capital, which in turn was to have given birth to another economic miracle à la South Korea or Taiwan—as predicted by the American mission and the World Bank—has not materialized; the level of violence on the battlefield has remained so high that investors have preferred to put their money in Saigon's more tranquil Southeast Asian neighbors. Nor do such creations as an industrial park in Cantho or the ambitious plans of the American mission for making the country self-sufficient in six years through industrialization seem realistic; for, as we shall see below, one of the main reasons for Hanoi's high level of military activity in the country is to prevent foreign investment and a consolidation of the economy. Thus, despite a rich agricultural heartland and a highly diligent and relatively skilled work force, the economic outlook remains gloomy. The only immediate hope (or perhaps El Dorado) on the horizon is the possibility of finding large deposits of oil on the nation's continental shelf. But even if oil is discovered in commercial quantities it will take a minimum of three years before the South Vietnamese will be able to reap the economic benefit.

More than anything else, it is the economic condition of the country that has created the conditions for political instability in Saigon for the first time since the Buddhist riots of 1966. In early September, the Buddhists—President Thieu's longtime

political opponents—began agitating for peace and national reconciliation with the Communists, while a few weeks later a Catholic movement led by Father Tran Huu Thanh began an anti-corruption campaign against the government, an even more serious development since the Catholics have long been Thieu's national political allies. In response to these protests, the President finally fired four of his cabinet ministers (including his nephew and Minister of Information Hoang Duc Nha), transferred three of his four corps commanders on charges of corruption and summarily relieved nearly 400 field grade officers of their commands.

These disturbances should not be overestimated—at no time did they come near to reaching the proportions of the Buddhist or anti-Diem riots or to getting out of control. But they are indicative of the fact that South Vietnam's growing economic problems cannot help but have increasingly serious political consequences. This is particularly true since the South Vietnamese believe that one of President Thieu's unique assets is his ability to manipulate the Americans. If Thieu is unable to provide the necessary amount of aid from the Americans, his support, particularly among his special constituency of civil servants, bourgeois businessmen and the army, will continue to erode as other ambitious generals begin to question openly the wisdom of his policies.

Still, if nothing else, Thieu is a master of the politics of survival (sometimes the only possible politics in Vietnam), who possesses an extraordinarily acute sense of political timing. He has managed to adapt himself to changing conditions and personalities before; because he still has solid control of the country's intelligence-police-army apparatus and is still very much the dominant political personality in the nation, there is no particular reason to think that he will not be able to cope with a political scene that will most likely continue to grow more turbulent. Finally, even if he is toppled from power either through street demonstrations or politics in the army, it is almost certain that in the end he would be replaced by a representative from the only organized non-Communist political force in South Vietnam, the army.

Militarily, the situation since the ceasefire must be examined in far greater detail and in the context of the ceasefire agreements. As envisioned by their creators, the Paris agreements called for a ceasefire in place and the creation of a four-member

(North Vietnam, South Vietnam, Provisional Revolutionary Government and United States) Joint Military Commission (JMC). This would give way after the exchange of prisoners of war to a two-member Joint Military Commission (South Vietnam and PRG), whose teams scattered at 26 locations throughout the country would in effect draw the boundary lines separating the territory controlled by South Vietnam from the ink spots and sanctuaries controlled by the PRG and North Vietnam.

Although all four parties involved did manage to exchange prisoners of war, both the agreements to form a JMC and the truce on the battlefield soon broke down. The two-nation JMC was formed but broke up in a year, partly because President Thieu, in an attempt to prevent the Communists from roaming freely around Saigon, effectively quarantined them at a camp near Tan Son Nhut airbase, and partly because the Communists decided that the JMC posts that were to be scattered throughout the countryside would effectively demarcate a Third Vietnam—something that would constitute heresy if acknowledged publicly, since there was only supposed to be one Vietnam. Apportioning blame for the breakdown of the truce is also difficult; two highly respected staff members of the U.S. Senate Foreign Relations Committee found it “nearly impossible.” In retrospect, I am inclined to conclude that the South Vietnamese were the more guilty party, since their actions appear to demonstrate that they never really intended to implement the truce. On the other hand, according to diplomats in Saigon at the time, the Communists evidently did think there would be at least a period of peace and were unprepared for—and staggered by—the aggressiveness of the government’s operations.

Almost from the moment the agreement was signed, President Thieu took to the offensive in an attempt to eradicate the Communist ink spots and to confine the Communists to their sanctuaries. Realizing that the military balance was in his favor at the moment of the ceasefire, Thieu attempted to apply the Abrams strategy, but without Abrams’ assets in men, money or mobility. It was a risky ploy, but at least for a time it worked. In the first phase of the post-ceasefire or Third Vietnamese War, lasting from the ceasefire in January to December 1973, there were few clashes between North and South Vietnamese main force units, but the ARVN was highly active in eliminating smaller PRG ink spots and in spearheading the resettlement of 750,000 ref-

ugees into congested areas, mainly in the foothills of Quang Ngai, Quang Tin and Binh Dinh provinces in the north and in Binh Thuan, Long Khanh and Phuoc Tuy provinces further south.

The second phase, which began on January 4, 1974, with a speech by Thieu ordering the ARVN "to hit them in their base areas" and ended in May 1974, resulted in a marked increase in large-scale ARVN offensive operations. Typical of this period were two multi-divisional operations, one by the ARVN 7th and 9th divisions in the Delta which completely cleaned out Base Area 470 (Tri Phap) and another operation by the 5th division which rambled through the Parrot's Beak just as it had during the Cambodian invasion. At the end of this period, Saigon's control of people and land had actually increased from the time of the ceasefire.

The third phase of the war, publicly heralded in a North Vietnamese document on March 22 of this year calling on the Communist armed forces to regain the land and people lost since the ceasefire and to undermine the fighting capabilities of the ARVN, actually began on May 17 when a large North Vietnamese force lured the 18th ARVN division into battle at Ben Cat in the Iron Triangle and succeeded in killing or wounding 2,600 ARVN soldiers and destroying 40 armored vehicles. In rapid succession, this was followed by a series of North Vietnamese-initiated engagements in the Central Highlands and the area south of the Demilitarized Zone in which the North Vietnamese recaptured almost all of the territory lost since the ceasefire and forced many of the recently resettled refugees to flee. As a result, the present battlefield picture is one of declining ARVN strength. Furthermore, because President Thieu has committed his strategic reserve, the Vietnamese airborne and marine forces, to holding static positions against the enemy in northern South Vietnam, it would seem that the ARVN would have virtually no chance of regaining the strategic offensive in the near future. Despite this fact, however, the South Vietnamese military predicament should not be portrayed as gloomier than it really is. Although it has been badly bloodied in the last few months, American and third-country observers agree that the ARVN has generally fought well, and the government still controls more than 93 percent of the people and essentially the same amount of territory it did at the time of the ceasefire.

What is extraordinarily important in this military picture is, of course, the degree of restraint shown by the North Vietnamese forces. For in the 23 months since the ceasefire, the North Vietnamese have improved their base areas and modernized their army to an unprecedented extent, yet have not used this newly acquired muscle against the South Vietnamese. Within their base areas, they have constructed a modern road and pipeline network that allows them to move men from the north to the south in 21 days, compared to 70 days in 1968, and they have accumulated enough supplies to fight without resupply for one year at a general offensive level or for several years at the present level. Under the direction of North Vietnam's de facto Army Commander-in-Chief Van Tien Dung (who has replaced the gravely ill General Giap), Hanoi's traditional guerrilla war doctrine has been officially abandoned for a conventional war strategy and a modernized and mechanized military machine completely equipped both in its southern sanctuaries and in the northern homeland with an array of tanks, artillery pieces and sophisticated guided missiles. In at least a few respects, the North Vietnamese Army has become a more modern army than the U.S.-equipped ARVN.

Given this fact, Hanoi's caution has been remarkable. Although in some areas, particularly in northern South Vietnam, they possess overwhelming strength, the North Vietnamese have chosen to stay inside the perimeters of the Paris peace agreements by generally not attempting to take land that was firmly under the control of the South Vietnamese at the time of the ceasefire. And despite the fact that the North Vietnamese have scores of tanks and 130 artillery pieces clustered near most of South Vietnam's largest cities, they have not used these weapons against the cities. Even on the battlefield, their employment has been extremely limited. Finally, the North Vietnamese have even occasionally practiced a policy of limited accommodation in the midst of battle. During a battle at Dak Pek this spring, an ARVN unit which was completely surrounded was allowed to walk out unscathed.

The reasons for Hanoi's reticence are complex, but in them lie the best answers to America's future relationship with both Vietnams. While it is always hard, even for specialists on the Communist world, to fathom the intentions of the small band of men in North Vietnam's politburo, it does appear to most analysts

that they have, at least for the next two to three years, opted for a period of reconstruction in the North and a moderately intense war of attrition in the South that stops well short of a general offensive. While this does not mean that they have settled on a policy of peace, it does mean that there will be more of an equal balance between the war and the domestic economy in the North than before 1973.

The evidence for this judgment, while not overwhelming, is substantial. In the North, the politburo has just begun drafting another five-year plan while the government has recently created three new super-ministries to deal with the problems of reconstruction. Both decisions indicate a drift toward a more bureaucratic government that is heading increasingly in the direction of the technocrats; given Hanoi's small pool of managers, it is hard to conceive either decision being taken if Hanoi had opted for a policy of all-out war within the near future. Meanwhile, militarily the indications also point to a decision to pursue a limited military policy. The most recent COSVN resolution, number 12, acknowledges that the Communists do not plan to launch a major offensive through the end of 1975, and military intelligence findings tend to support that statement. None of the seven North Vietnamese divisions in the North shows any signs of future deployment, and indeed new recruits in the North are still being trained and briefed on the Paris agreements, again a doubtful exercise if all-out war were actively being considered.

More persuasive, however, is the pattern of North Vietnamese infiltration in the South. Although the North has sent approximately 145,000 men to the South since the ceasefire, they have also exfiltrated nearly 115,000 men back to North Vietnam. The resulting net increase of 30,000 men basically accounts for casualties and other routine replacements and indicates no new massive buildup of men in the South, a buildup that would be a prerequisite for any massive offensive. Indeed, with ARVN forces now standing at 372,000 (plus another 625,000 RF and PF) the force of 184,000 North Vietnamese now within South Vietnam does not appear overwhelming except perhaps in northern I Corps where shorter supply lines and terrain are in Hanoi's favor.

There appear to be three main reasons behind Hanoi's switch to its present lower-keyed strategy. First of all, it no doubt reflects a genuine belief on the part of a large percentage, perhaps even a majority, of the politburo and the Party, that Hanoi must

pause a few years to repair the damage and destruction from years of war. The objective of unifying Vietnam has not been abandoned, but it can, these cadres must argue, be postponed. Partially, too, Hanoi's present course has been adopted because the North Vietnamese sincerely believe that the South's internal contradictions, as they would describe President Thieu's matrix of economic, political and military problems, will eventually cause the regime to crumble and collapse from within. But the most critical, and perhaps even the determining, factor in Hanoi's reticence is the fact that while the North may be able to afford an all-out war militarily, it cannot afford to do so diplomatically. For although North Vietnam has enough war matériel to sustain the first round of a major offensive, it has no guarantee from either the People's Republic of China or the Soviet Union that those supplies would be replaced. Indeed, since the ceasefire the Soviet Union and China have been most circumspect, and although both powers have increased their level of economic aid, they have actually decreased their military aid to Hanoi. The buildup of the North Vietnamese sanctuaries since the ceasefire was largely accomplished with supplies Hanoi already had on hand at the end of the ceasefire; since then the weapons that China and the Soviet Union have shipped to Hanoi have been largely defensive, including, however, most of Hanoi's anti-aircraft weaponry.

IV

All this suggests that a temporary new reality has emerged in Vietnam: the North, although it has created a military machine inside South Vietnam powerful enough to inflict great damage (particularly in the northern part of the country) is apparently restrained from fully using this military might by its own belief in the South's weakness, by its own economic priorities in the North and by an absence of diplomatic support from its two Communist patrons. On the other hand, the South, having been forced to relinquish the military gains made in the immediate aftermath of the ceasefire, has also been forced into an inherently conservative and basically defensive strategy in an attempt to protect the minimum achievements of the American era. As a result of these inhibiting factors on both sides, a clear-cut victory for either side seems probably unobtainable in the immediate future. And that in turn suggests to me that the war may once

again be reaching the point when it will be profitable for the United States to work toward a policy of both official and tacitly acknowledged accommodation in Vietnam. Three main avenues of diplomatic approach seem open to the United States.

First, since it is clear that neither the North nor South will constrain themselves from making war if left to their own devices, it would seem that the United States must once again engage the Soviet Union and China in an attempt to effect an asymmetrical reduction in the level of supplies to their respective allies, thus cooling off the war and bringing hostilities down to a level resembling peace. Great powers do not act irresponsibly without paying for the consequences, and to allow North and South Vietnam to continue to engage in a slow escalation of the fighting, even if it does stop short of an all-out war, is about as responsible as it would be for two sets of parents to lock their quarrelling children in a room and pretend not to hear the subsequent smashing of furniture. As Henry Kissinger discovered during his initial Vietnam peace negotiations, both China and the Soviet Union have substantive reasons for not wanting to see the war in Vietnam escalate to a level where it threatens superpower détente. Although she would never say so publicly, China has traditionally preferred to have weak powers on her borders, and the thought of 40 million armed and unified Vietnamese can hardly cause joy in Peking. Similarly, the Soviet Union does not want its blossoming détente with the United States to bog down in the jungles of Vietnam. Thus, the United States can and should press both Communist powers to lower still further their support to Hanoi, with the corresponding acknowledgement that we will restrain Thieu from going on the offensive as a result and additionally will reduce our level of military aid—though asymmetrically since it does require a greater expenditure of military supplies for the South to defend its defense perimeter than it does for the North to attack a section of that perimeter at a time and place of its choosing.

While the present state of relations between Moscow and Washington appears sufficiently warm to make such a task possible, the cooling or plateauing of relations between Washington and Peking, particularly if taken together with the unknown outcome of the present power struggle between moderates and radicals inside China, suggests a renewed Washington effort to put the Sino-American rapprochement back on course, with

one objective a tacit understanding from the Chinese to maintain their present policy of restraint vis-à-vis Hanoi.

Finally, as a corollary to this policy of superpower diplomacy toward the two warring Indochinese states, the United States should encourage the nations of Southeast Asia, such as Thailand and Malaysia, which have made several attempts during the past few years to bring Hanoi into some sort of association with the ASEAN group of countries, to continue their diplomatic efforts. For any successful regional effort to give North Vietnam a window on the world and a participatory role, however limited, in the thriving economic and diplomatic life of the non-Indochinese part of Southeast Asia would be yet another entry on the side of Hanoi's ledger that favors a policy of reconstruction and limited war.

Secondly, although it is unclear whether Washington—or perhaps more precisely, the American mission in Saigon—encouraged or merely tolerated the offensive push of President Thieu from the ceasefire to May of this year, it is clear that the time has come to encourage the President, or his successor if Thieu should fall from office, to accept a *de facto* accommodation with the Communists—something that he has not yet done in reality even though he did sign a peace treaty acknowledging the fact that the Communists had a legal right to exist within South Vietnam.

Basically, such an accommodation would mean that President Thieu and the Provisional Revolutionary Government would finally meet and form the National Council of Unity and Concord. To do this, Thieu would have to provide diplomatic immunity to the Communists and give at least a number of designated Communist leaders the right to move freely through South Vietnamese society. Although he has often talked of the time when South Vietnam could “take a little of the (Communist) bacteria into its system,” he has long refrained from doing this out of a fear of political unrest. Yet if ever there was a time for Thieu to take this risk, it is now. For one thing, the South Vietnamese people have never shown any particular sign of wanting to join a Communist bandwagon; if the great majority of South Vietnamese had wanted the country to come under the control of the NLF or PRG, this would have happened long ago despite everything that the Americans and a series of South Vietnamese administrations have done. Such a move would also, I think, be far less risky than it might appear, because the eradication of much of

the Viet Cong infrastructure in 1968–1970 is one of the accomplishments of that era that has not yet eroded to any great extent.

Finally, of course, there is the question of American aid to Indochina. Throughout the past two decades, the American people have carried an agonizing burden in Vietnam and they are no doubt bone-tired and weary of that burden. Nonetheless, it would seem only prudent to continue to give a modicum of aid to South Vietnam, while at the same time re-opening the question of aid to the North.

The projected multi-million dollar aid program for reconstruction that Secretary Kissinger proposed and came close to negotiating successfully with Hanoi during the latter stages of the Paris peace talks was aborted for two reasons, an unwillingness on the part of Hanoi to account for how the aid money would be spent, in a way acceptable to the United States, and an unwillingness on the part of the U.S. Congress to provide any aid money to a former enemy of the United States. While admittedly there is always the possibility that the North will only use American aid to strengthen its economy to the point where it can launch a sustained, full-scale attack on the South, it seems to me that this is a risk that on balance is probably worth taking and that Washington should therefore once again attempt to reinstitute economic (and eventually diplomatic) contacts with the North as a part of any overall diplomatic endeavor concerning Vietnam. For an aid program to North Vietnam would invariably involve many of the brightest and most able men in Vietnam—thus taking them away from the war effort—and at the same time, it would inevitably reinforce the hands of those in Hanoi who want to continue on a track of reconstruction and development. Moreover, no matter how committed any nation is to an objective, once peace comes it is always hard to gear up the public emotions and energy for resuming war.

In South Vietnam, the United States should continue to provide a reasonable level of military and economic aid. Militarily, I think a reasonable amount of aid can be defined as enough to keep ARVN from collapsing on the battlefield due to a lack of ammunition, fuel and food and clothing for their troops. Most military experts familiar with South Vietnam suggest that a proper amount of aid would be approximately one billion dollars a year; less would not provide the ARVN with the materials it needs to defend the territory it now holds; more would only en-

courage it to revert to a more aggressive military strategy. In addition, while most observers agree that ARVN must be weaned from its American-taught over-reliance on mobility and firepower and must adopt a military strategy that it can come closer to affording, to attempt to accomplish this within six months—as the American Congress seems to be suggesting with its grant of \$800 million in military aid—is not only foolish, but would simply doom such an ARVN adjustment to a disastrous failure. Such a transition should be phased over a period of two to three years, and this incremental reduction of aid should be spelled out to the ARVN at the beginning of the three-year period involved.

Similarly, a reasonable level of economic aid should be defined as a level which prevents the economy from becoming the primary cause of political instability it is now. Given the fluctuating price of such basic South Vietnamese imports as fertilizer and petroleum, it is difficult to arrive at a precise amount of aid, except that it should be marginally higher than the \$400 million the United States gave South Vietnam last year, but sharply lower than the \$750 million aid package the U.S. mission requested for this fiscal year, which contained wildly optimistic proposals for making Vietnam self-sufficient economically in a limited number of years—something that is flatly impossible given the present level of hostilities. Moreover, since it has become apparent, not only to people outside the government but to President Thieu and his associates, that American aid is vital if South Vietnam is to survive, Washington should be able to insist, after many years of fruitless effort, that the aid be tied to definite, measurable standards of performance. In addition, if as a result of big-power and intra-Vietnamese diplomacy and negotiation, some sort of reduction in the tempo of the war is achieved, then further economic American aid should be closely tied to a reduction in the South Vietnamese armed forces so that Saigon will be able to put a greater share of its economic resources into the non-military sector of its economy.

V

If such a policy were to be followed, the United States would be committing itself to continuing military and economic aid, but as part of a total effort aimed at a substantial period of peace, accommodation within South Vietnam, a recovered South Vietnamese society—and in the end, one must hope, lasting recon-

ciliation between North and South, or unification if both should so choose. Such an American course would not be easy, and it is vital that such a qualified commitment to the South should not in any circumstances turn into something that involved American military action. If, despite a reasonable amount of military aid, the nerve of the ARVN should fail and South Vietnam should begin to crack militarily, the United States should not attempt to stave off such a defeat by the reentry of American air or naval power, still less ground forces. If, despite a slightly increased level of economic aid, the Saigon government should dissolve in political turmoil, we should not attempt to put things right, but accept whatever reality finally emerges.

But if this policy would be hard, what alternative is there? To cut American aid substantially—as many especially in the new American Congress may be inclined to do—would mean collapse in South Vietnam and in all probability a takeover by Communist forces. “They deserve it,” some may say. But to me, tortured like all Americans by the whole story, there is something deeply wrong with America choking off South Vietnam’s lifeline and thus condemning the South Vietnamese people to a fate they obviously do not want. The possibility *does* exist of bringing something better out of a situation we have done so much to bring to its present pass. To forego that possibility, to abandon in the end an American commitment now reduced to one of relatively limited amounts of money alone, seems to me a doubly inglorious—and avoidable—way to end the most traumatic experience in our recent national history.

CORRESPONDENCE

To the Editor:

Readers of *Foreign Affairs* may be interested in how the recent revelations of covert U.S. intervention against the Allende government in Chile affect the conclusions reached in my article, "The 'Invisible Blockade' and the Overthrow of Allende," published in this journal a year ago. In my view, two principal theses of that article, (1) that Allende was not the victim of a "blockade" in the sense of a complete cutoff of credits, imports, and exports, and (2) that the principal causes of his overthrow were internal—political polarization on a class basis and inflationary deficit financing initiated well before the foreign credit difficulties—remain unaffected by the new information we now have. The new disclosures also do not alter the article's conclusion that despite some U.S.-inspired restrictions on access to credits, Allende was able to secure substantial outside assistance from "pipeline" aid which was not cut off, from two IMF loans in 1971 and 1972, from the postponement of payments on the Chilean debt, and from sizable long and short-term credits from other sources, resulting in an increase in Chilean indebtedness of \$800 million between 1971 and 1973.

Some subsidiary points or implications of the article, however, must now be modified. New evidence concerning possible indirect CIA financing of the prolonged strikes by the truckers and other labor, peasant, and professional groups in October 1972 and August 1973 must modify the article's conclusions concerning the U.S. role in contributing to the conditions which produced the coup. Without outside financial support, the strikes presumably would not have lasted as long as they did; the politicization of the military which resulted from their participation in the Allende government after the first strike in 1972 might have been slowed down; and the sense of an impending collapse of the Chilean economy, intensified by the second strike in 1973, would have been considerably diminished. But, given the runaway inflation, inflamed public opinion, and the widespread distribution of arms on both sides in July 1973 one wonders how the crisis could have been resolved, even if there had been no strikes.

A second area in which the article needs to be corrected is in its implicit conclusion that the primary motive for the U.S.-inspired credit squeeze (not "blockade") was to secure compensation for the copper companies. Newspaper reports, notably *The New York Times* for September 15, 1974, indicate that immediately after Allende's election Henry Kissinger personally chaired an interdepartmental working group which produced a National Security Council Decision Memorandum ruling out economic aid (presumably *new* economic aid) to Chile well before the copper compensation dispute.

The evidence does not all go in one direction, however. Kissinger's chairmanship of a group which would normally have been chaired by the Assistant Secretary of State for Latin America was attributed in the *Times* article to Assistant Secretary Charles Meyer's resistance to some of the anti-Allende measures adopted in mid-1970 at Kissinger's behest in the 40 Committee which oversees the CIA. Meyer's opposition, as well as Ambassador Korry's determination, expressed at the time to the ITT representatives in Chile, to

"try to live with Allende—not appease him—take a firm line, but attempt to negotiate at every turn" (J. D. Neal to W. R. Merriam, October 15, 1970, *Senate ITT Hearings*, p. 656), cast some doubt on the "roots-and-branches" theory of "coordinated hostility" on the part of the American government toward Chile put forward by Richard Fagen elsewhere in this issue. Korrry has now disclosed that he made an effort to work out a long-term low-interest loan to enable Chile to compensate the copper companies, which by his account only failed because of last-minute objections by the left wing of the Allende coalition ("Firing Line," September 29, 1974), and the ITT memoranda are full of critical references to the "soft-line" policy of the State Department toward Chile (*Senate ITT Hearings*, pp. 746, 942, 964, and 979).

It is therefore by no means clear that all U.S. policy-makers shared Henry Kissinger's obsession with Chile's effect on the European or Latin American balance of power—much less that they believed, as Mr. Fagen asserts, that "our vital national interests may be threatened by almost any Third World experiment in socioeconomic transformation not directly under our control." If we assume that there were such differences within the Administration, then it becomes important to discuss the impact of Allende's own policies on the U.S. advocates of the "hard" and "soft" lines respectively. In the specific case of the CIA intervention, the record seems to indicate that there were separate decisions to authorize financial expenditures in 1970, 1971, and 1973, and there seem to have been differences of opinion on the wisdom and, indeed, the morality of a number of such expenditures. Yet in Professor Fagen's article it appears that the decisions to act against Allende were taken simply from inevitable and undifferentiated hostility to any form of "socioeconomic transformation," quite apart from anything that was actually taking place in Chile itself, including the fact that a substantial part of the Allende coalition was openly committed to violence as the method to achieve such transformation and as early as 1971 arms were being imported and distributed to Left extremists of the MIR with Allende's knowledge and assistance. Many observers who deplore (as I do) the 1970 intervention in the free elections of a country which—until September 1973—had a more open political structure than our own, feel rather differently about counter-measures to the Allende government's subsequent efforts to bankrupt the opposition media and the only private source of newsprint. Along with Allende's extraordinary intransigence on copper compensation, such tactics strengthened the hands of those advocating CIA financial intervention. Conversely, an internal policy by Allende which genuinely conformed to his May 1971 promise to carry out a peaceful transition to socialism on the basis of majority rule would have made such intervention completely unworkable.

Although I agree with Richard Fagen that past U.S. policies had much to do with the decision to intervene in Chile, unlike him I do not see any inevitability or necessity about U.S. policy toward Allende that would have compelled a different President or National Security Adviser to follow the same policy. Nor, as our aid programs at their best have demonstrated, is there, as he seems to imply, an inevitable opposition between U.S. wealth and power and the striving of the poor and miserable in the Third World for a better life, although problems arise when that striving takes the form

of identification with movements and nations which have made no secret of their opposition to the United States. Hopefully, if and when such governments emerge in the future, the Chilean case and its shocking aftermath will lead American policy-makers to take a less deterministic and simplistic view of U.S. policy than Mr. Fagen attributes to them—and holds himself.

PAUL E. SIGMUND
Professor of Politics
Princeton University

To the Editor:

I cannot let pass without a brief comment Paul Sigmund's reading of several of the basic points made in my article in this issue of *Foreign Affairs*. Mr. Sigmund distorts and obscures my premises regarding the U.S. policy apparatus. As I clearly say, I recognize that there were hard line-soft line controversies; I know that the neanderthals at ITT were displeased with some U.S. officials; and I appreciate the battles waged by those who wished to avoid the worst excesses. But what predominated throughout this sordid affair, and gave consistency to disparate activities, was an overall policy of hostility to the Popular Unity Government. If Mr. Sigmund can effectively counter my statement that "Basically, the entire bureaucratic apparatus was cooperating, under the direction of the White House, in . . . policies designed to make it difficult and eventually impossible for the Popular Unity coalition to govern Chile," I wish he would do so. It would be news to most people in Washington, and certainly to both the Chilean Right and Left.

Moreover, I find Mr. Sigmund's suggestion that the Allende government must bear responsibility for strengthening the hand of the U.S. hard-liners, and thus helping to bring the CIA down on Chile, a shameless attempt to export responsibility for U.S. policy decisions. Sigmund claims that if Allende had "genuinely conformed to his promise in May 1971 to carry out a peaceful transition to socialism," the CIA intervention would have been "completely unworkable." If greater naiveté about the CIA and the Chilean right wing has ever been expressed in print, I have yet to see it.

Finally, although Mr. Sigmund uses the word a number of times, I speak of the "inevitability" of U.S. policy only once in my article. Toward the end I say "what Chile once again emphasizes is how inevitably the U.S. will be drawn into intervention and covert activities as long as" we view our vital international interests as being "threatened by almost any Third World experiment in socioeconomic transformation not directly under our control." If I did not believe that definitions of the national interest were open, in the long run, to important modifications, I would not be writing articles for *Foreign Affairs*. But I remain a skeptic in the short run, and historical experience supports my skepticism.

When, as I said, "the election of a Salvador Allende is seen by U.S. policy-makers as the legitimate manifestation of an historic struggle for social justice by a people long exploited both domestically and internationally—a struggle with which the United States ought to be associated—" I will stand corrected. Until that time, let Paul Sigmund continue his apologies for U.S. policies; I prefer to criticize.

RICHARD R. FAGEN

RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Elizabeth H. Bryant

General: Political and Legal

Robert Gilpin

THE LOGIC OF WORLD POWER. BY FRANZ SCHURMANN. New York: Pantheon, 1974, 593 pp. \$15.00.

Frequently brilliant, frequently confused, but certainly an important book. The logic of world politics in general, and of the Vietnam War in particular, is said to be a function of the interaction and contradiction between two realms of politics: ideological (executive, nuclear weaponry, and political imperialism) and interests (bureaucratic, conventional war, and corporate expansionism). Wicked though it may be, Schurmann believes the American imperial system has been and remains the only source of unity and order in the world. Yet he feels it is increasingly threatened by the growing contradiction between the presidential-ideological desire for imperial control and the corporate interest in high profits.

NEW FORCES IN WORLD POLITICS. BY SEYOM BROWN. Washington: Brookings Institution, 1974, 224 pp. \$7.95 (Paper, \$2.95).

The argument that contemporary political, economic, and technological developments are transforming the nature of international relations. Disintegration of cold-war coalitions, increased salience of nonsecurity issues, and emergence of transnational actors are believed to hold promise for a more benign world.

SOVEREIGN EQUALITY AMONG STATES: THE HISTORY OF AN IDEA. BY ROBERT A. KLEIN. Toronto: University of Toronto Press, 1974, 198 pp. \$10.00.

History and analysis of the opposing concepts of sovereign equality and great-power primacy. Longing for the well-ordered world represented by the latter, the author despairs of a one-state-one-vote world of micro-nations.

THE END OF THE POSTWAR ERA: A NEW BALANCE OF WORLD POWER. BY ALASTAIR BUCHAN. New York: Saturday Review Press, 1974, 347 pp. \$8.95.

A wide-ranging and thoughtful essay dealing with the agenda of issues facing contemporary statesmen, as of the early fall of 1973. To be put alongside the author's later Reith Lectures.

INTERNATIONAL SYSTEMS: A BEHAVIORAL APPROACH. BY MICHAEL HAAS AND OTHERS. New York: Chandler, 1974, 433 pp. \$14.00.

In this symposium-volume, authorities assess the accomplishments of the behavioral approach to international relations and conclude that substantial progress has been made.

NOTE—BY SPECIAL ARRANGEMENT WITH THE NEW MCGRAW-HILL BOOKSTORE, READERS OF FOREIGN AFFAIRS MAY OBTAIN ANY BOOK PUBLISHED IN THE UNITED STATES AT THE PUBLISHER'S REGULAR LIST PRICE. WITHIN THE U.S., PLEASE ADD 35¢ PER BOOK FOR POSTAGE PLUS APPROPRIATE SALES TAX. IF OUTSIDE, PLEASE ADD 50¢ PER BOOK FOR POSTAGE AND 95¢ PER ORDER FOR REGISTRATION. SEND ORDERS WITH CHECK OR MONEY ORDER TO: THE NEW MCGRAW-HILL BOOKSTORE, 1221 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10020.

TESTING THEORIES OF ECONOMIC IMPERIALISM. EDITED BY STEVEN J. ROSEN AND JAMES R. KURTH. Lexington (Mass.): Lexington Books, 1974, 284 pp. \$16.50.

This inconclusive yet excellent and scholarly symposium analyzes and tests the concept of economic imperialism, and treats American and Soviet "imperialism" with equal dispassion.

THE CONTROL OF THE SEA-BED: A NEW INTERNATIONAL ISSUE. BY EVAN LUARD. New York: Taplinger, 1974, 309 pp. \$14.95.

A timely and useful survey of many aspects of the subject by a leading British expert, including the author's own proposals for sea-bed development.

CLIO AND THE DOCTORS: PSYCHO-HISTORY, QUANTO-HISTORY AND HISTORY. BY JACQUES BARZUN. Chicago: University of Chicago Press, 1974, 173 pp. \$7.95.

A spirited attack on the use of socio-psychological and quantitative techniques in historical scholarship.

LAND REFORM AND POLITICS: A COMPARATIVE ANALYSIS. BY HUNG-CHAO TAI. Berkeley: University of California Press, 1974, 565 pp. \$25.00.

A useful study of the political processes of land reform in selected Asian and Latin American countries.

THE UNITED NATIONS IN A CHANGING WORLD. BY LELAND M. GOODRICH. New York: Columbia University Press, 1974, 280 pp. \$12.95.

Professor Goodrich presents an optimistic assessment of the United Nations through the examination of several issue-areas, i.e. peacekeeping, protection of human rights, etc. He foresees an expanded role for it because of developments in economics and technology.

CYPRUS 1958-1967: INTERNATIONAL CRISES AND THE ROLE OF LAW. BY THOMAS EHRLICH. New York: Oxford University Press, 1974, 164 pp. \$1.95 (Paper).

Though dated by recent events, this review of the role of law in four decisions affecting Cyprus during the period from 1958 to 1967 should be of continuing interest to students of international law.

DIPLOMAT: THE WORLD OF INTERNATIONAL DIPLOMACY. BY ERIC CLARK. New York: Taplinger, 1974, 276 pp. \$8.50.

A superficial, though informative, survey of contemporary diplomatic behavior and style.

RELIGION AND POLITICAL MODERNIZATION. EDITED BY DONALD EUGENE SMITH. New Haven: Yale University Press, 1974, 340 pp. \$15.00.

This comparative analysis of the interaction of religion and the forces of modernization is a worthwhile contribution to the literature of modernization.

General: Military, Technological and Scientific

Andrew J. Pierre

THE CYBERNETIC THEORY OF DECISION: NEW DIMENSIONS OF POLITICAL ANALYSIS. BY JOHN D. STEINBRUNER. Princeton: Princeton University Press, 1974, 366 pp. \$14.50.

A stimulating and challenging work, almost two books in one, which applies cybernetics and psychology to the politics of the multilateral nuclear force and the nuclear sharing issue in the period 1956-64. Steinbruner's important and creative study successfully adds a new dimension to our understanding of decision-making.

U.S. FORCE STRUCTURE IN NATO: AN ALTERNATIVE. BY RICHARD D. LAWRENCE AND JEFFREY RECORD. Washington: Brookings Institution, 1974, 136 pp. \$2.50 (Paper).

Another in the excellent series of Brookings staff papers on defense policy. This one argues that the U.S. military posture in Europe is "dangerously inappropriate," unsuited for the most likely threat—a short, intense war. The authors make wide-ranging yet realistic proposals for reorganizing U.S. forces to make them more effective and less costly. Many of these recommendations will be controversial in Western Europe, but they are nevertheless well tuned to the requirements of the future.

NUCLEAR NAVY, 1946-1962. BY RICHARD G. HEWLETT AND FRANCIS DUNCAN. Chicago: University of Chicago Press, 1974, 477 pp. \$12.50.

Two superb historians, who produced an official history of the Atomic Energy Commission, have written an equally successful history of the development of nuclear power for naval propulsion of submarines and ships. They describe in detail how Admiral Rickover—clearly the hero—built his unique organization and made it work up to 1962, but they also place the story in a wider bureaucratic and technological framework.

ARMING AMERICA: HOW THE U.S. BUYS WEAPONS. BY J. RONALD FOX. Cambridge: Division of Research, Harvard Business School, 1974, 484 pp. \$15.00.

A major study of the weapons acquisition process that goes beyond the earlier works of Merton J. Peck and Frederic M. Scherer. The author, former Assistant Secretary of the Army and professor at the Harvard Business School, finds much waste and inefficiency in the procurement process and argues that 8 to 12 billion dollars per year could be saved in the defense budget through the adoption of better managerial practices. A valuable contribution at a time when two-digit inflation is skewering the Pentagon's budget.

SCHOOL FOR SOLDIERS: WEST POINT AND THE PROFESSION OF ARMS. BY JOSEPH ELLIS AND ROBERT MOORE. New York: Oxford University Press, 1974, 291 pp. \$9.95.

Another critical appraisal of the current state of the U.S. Army, this one focusing on West Point. The authors write with a perspective that rings true, both having served on the faculty of the Academy. They raise troubling questions about the isolation of West Point from civilian life and its values, yet their appraisal is balanced rather than polemical.

CIVIL-MILITARY RELATIONS: CHANGING CONCEPTS IN THE SEVENTIES. EDITED BY CHARLES L. COCHRAN. New York: Free Press, 1974, 366 pp. \$10.95.

In these 14 essays by current and former faculty of the U.S. Naval Academy, attention is given to civil-military relations in China, the U.S.S.R., Africa, and Latin America as well as the U.S. The authors write with skill and knowledge, and possess keen political antennae.

NUCLEAR PROLIFERATION: PHASE II. EDITED BY ROBERT M. LAWRENCE AND JOEL LARUS. Lawrence: University Press of Kansas (for the National Security Education Program), 1974, 256 pp. \$9.00 (Paper).

A collection of good essays covering nuclear politics in Australia, India, West Germany, Israel, Japan, and the Republic of South Africa. The editors are pessimistic about the possibility of avoiding the spread of nuclear weapons.

GLOBAL COMMUNICATIONS SATELLITE POLICY: INTELSAT, POLITICS AND FUNCTIONALISM. BY JOSEPH N. PELTON. Mt. Airy (Md.): Lomond Books, 1974, 183 pp. \$14.50.

An examination of the International Telecommunications Satellite Organization by a member of COMSAT, the Communications Satellite Corporation. The author tests and finds inadequate the functionalist theories of Ernst Haas and David Mitrany when applied to international communications satellite policy, but he sees value in INTELSAT as a prototype for international cooperation.

THE USE OF FORCE IN INTERNATIONAL RELATIONS. EDITED BY F. S. NORTHEGE. New York: Free Press, 1974, 258 pp. \$12.95.

This collection of essays intelligently reexamines the changed though continuing role of military power in contemporary world politics. Intervention and subversion as substitutes for frontal attack receive the attention they deserve.

THE FUTURE OF INTER-BLOC RELATIONS IN EUROPE. EDITED BY LOUIS J. MENSORIDES AND JAMES A. KUHLMAN. New York: Praeger, 1974, 217 pp. \$16.50.

Essays which cover a range of topics: an empirical analysis of system change, an aggregate statistical comparison of each bloc, various military, economic and political issues, including analysis of the Warsaw Pact's approach to European security and regional integration in Eastern Europe. The methodology, which includes factor and content analysis, is interesting and likely to raise the usual controversy.

KRISEN IN DEN EUROPÄISCHEN UND ATLANTISCHEN ORGANISATIONEN. BY DIRK LÄUFER. Berlin: Duncker & Humblot, 1974, 358 pp. DM. 74.60.

A comparative study of nine crises faced by NATO, the aborted European Defense Community, the OECD, Common Market, and Coal and Steel Community in order to test the degree of political integration achieved by these organizations. The author suggests that the incidence of crises may increase with further integration and posits certain hypotheses for "optimal" crisis management.

MICRONESIA AND U.S. PACIFIC STRATEGY: A BLUEPRINT FOR THE 1980s. BY JAMES H. WEBB, JR. New York: Praeger, 1974, 109 pp. \$12.50.

Noting that the Nixon Doctrine provided little specific guidance for the long-term American presence in the Pacific, the author, a former consultant to the Guam government, recommends the adoption of a strategy dependent on U.S. bases in the Mariana Islands and the development of a Guam-Tinian military complex.

HANKEY: MAN OF SECRETS, VOLUME II: 1919-1931 and VOLUME III: 1931-1963. BY STEPHEN ROSKILL. New York: St. Martin. V.II, 1972, 608 pp. \$12.50; V.III, 1974, 688 pp. \$15.95.

The former Secretary to the Cabinet and to the Committee of Imperial Defence could not have been better served by his biographer. Stephen Roskill's

second and third volumes are absorbing yet scholarly and balanced. The richness of detail makes this series indispensable to future students of the interwar years.

THE PATTON PAPERS: 1940-1945. BY MARTIN BLUMENSON. Boston: Houghton Mifflin, 1974, 889 pp. \$17.50 to December 31, 1974; \$20.00 thereafter.

PATTON: A STUDY IN COMMAND. BY H. ESSAME. New York: Scribners, 1974, 280 pp. \$8.95.

Two volumes on one of the most controversial military leaders of the Second World War. Blumenenson's balanced appraisal makes extensive use of Patton's personal papers and shows him to be a complex man, confident, possessed by a burning desire for action, yet full of inward turmoil. Essame's work is more admiring of its subject, and suggests that if Patton had been given free rein he would have brought the war to an end in 1944.

General: Economic and Social

William Diebold, Jr.

TIN: THE WORKING OF A COMMODITY AGREEMENT. BY WILLIAM FOX. London: Mining Journal Books, 1974, 418 pp. £9.25.

With commodity problems on people's minds, this valuable book—probably the only account of a commodity agreement by one who played a key part in administering it for many years—has great current interest. While discreet, Mr. Fox is quite frank about mistakes and conflicts of views and restrained in his assessment of the buffer stocks, export controls and other devices of the tin agreements. Some of the most interesting passages concern the Soviet Union's sales of Chinese tin in the 1950s and the Tin Council's relations—sometimes cooperative and sometimes adversative—with that large outsider with the stockpile, the United States.

BIG BUSINESS AND THE STATE: CHANGING RELATIONS IN WESTERN EUROPE. EDITED BY RAYMOND VERNON. Cambridge: Harvard University Press, 1974, 310 pp. \$12.50.

The five country studies, five industry studies and two more general papers are well integrated to make this one of the best books we have on industrial policy and the different patterns of government-business relations developing in Western Europe.

THE FAILURE OF U.S. ENERGY POLICY. BY RICHARD B. MANCKE. New York: Columbia University Press, 1974, 189 pp. \$10.00 (Paper, \$2.95).

THE ENERGY QUESTION: AN INTERNATIONAL FAILURE OF POLICY. V. 1: THE WORLD. V. 2: NORTH AMERICA. EDITED BY EDWARD W. ERICKSON AND LEONARD WAVERMAN. Toronto: University of Toronto Press, 1974, 2 v. \$17.50 (Paper, \$6.50) per volume.

Anti-coal and on the optimistic side regarding oil, Mancke provides a clear, succinct, and many-sided introduction to energy policy that offers not only conclusions but good demonstrations of how to think about problems. The editors of the other two volumes have not only collected a remarkably rich set of papers (mostly on economics and technology) but have tied them together with helpful commentaries.

AMERICA AND THE CRISIS OF WORLD CAPITALISM. BY JOYCE KOLKO. Boston: Beacon Press, 1974, 202 pp. \$7.95.

Ominous signs and portents can be documented, but it takes an act of faith—which Mrs. Kolko seems to have—to be sure that this time the contradictions of

capitalism will bring about collapse or revolutionary change. A strong statement of a radical, mostly Marxist view of the world.

U.S. AGRICULTURE IN A WORLD CONTEXT: POLICIES AND APPROACHES FOR THE NEXT DECADE. EDITED BY D. GALE JOHNSON AND JOHN A. SCHNITTKER. New York: Praeger (for the Atlantic Council of the U.S.), 1974, 260 pp. \$18.50.

The policies of other countries as well as the United States are examined, and then the editors—who have also written the most interesting papers—conclude with a set of proposals for international agreements that would make for the better ordering of world agriculture.

TRADE WITH CHINA. EDITED BY PATRICK M. BOARMAN, WITH THE ASSISTANCE OF JAYSON MUGAR. New York: Praeger, 1974, 192 pp. \$15.00.

Interesting assessments of the factors shaping China's ability and willingness to expand trade.

THE POLITICS OF FOREIGN AID. BY JOHN WHITE. New York: St. Martin, 1974, 315 pp. \$13.95.

The author of some good specialized studies of aid here puts many elements of donor and recipient behavior together. He says much that is interesting, but whether another general book on aid (broader than the title suggests) is what we most need is another question.

TRADE RELATIONS OF THE EEC: AN EMPIRICAL INVESTIGATION. BY MORDECHAI E. KREININ. New York: Praeger, 1974, 126 pp. \$13.50.

Trade diversion, preferences, and the enlargement of the Community are the foci of a set of rigorous studies, partly revised from previous publication.

EXPORTS OF MANUFACTURES FROM DEVELOPING COUNTRIES: A STUDY IN COMPARATIVE ADVANTAGE. BY A. H. M. MAHFUZUR RAHMAN. Rotterdam: Rotterdam University Press, 1973, 140 pp. (Portland, Ore.: International Scholarly Book Services, distributor, 1974, \$15.80).

An economist from Bangladesh here carries through a series of well-focused studies which support the view that developing countries do best in selling manufactured goods in rich countries if they concentrate on labor-intensive production and diversify their markets.

THE PRICING OF CRUDE OIL: ECONOMIC AND STRATEGIC GUIDELINES FOR AN INTERNATIONAL ENERGY POLICY. BY TAKI RIFAI. New York: Praeger, 1974, 356 pp. \$22.50.

Though the bewildering details are out of date, there are some interesting points in the varied approaches explored by a former adviser to the government of Libya.

INTERNATIONAL MONETARY RECONSTRUCTION: PROBLEMS AND ISSUES. BY WILBUR F. MONROE. Lexington (Mass.): Lexington Books, 1974, 191 pp. \$13.50.

ISSUES IN MONETARY ECONOMICS: PROCEEDINGS OF THE 1972 MONEY STUDY GROUP CONFERENCE. EDITED BY H. G. JOHNSON AND A. R. NOBAY. New York: Oxford University Press, 1974, 595 pp. \$25.75.

Monroe, a U.S. Treasury official, has written a straightforward account of the monetary reform problems of recent years that analyzes differences in national positions. Some of the essayists in the second volume break new ground.

MANAGEMENT OF THE MULTINATIONALS: POLICIES, OPERATIONS, AND RESEARCH. EDITED BY S. PRAKASH SETHI AND RICHARD H. HOLTON. New York: Free Press, 1974, 431 pp. \$14.95.

MULTINATIONAL ENTERPRISES—FINANCIAL AND MONETARY ASPECTS. EDITED BY J. S. G. WILSON AND C. F. SCHEFFER. Leiden: Sijthoff, 1974, 241 pp. Gldrs. 44.

MANAGING MULTINATIONAL CORPORATIONS. BY ARVIND V. PHATAK. New York: Praeger, 1974, 337 pp. \$16.50.

Three more books on almost everyone's favorite subject. The first is a rather wide-ranging collection; the second has a large European and British contribution; the third is chiefly about management problems.

MIDDLE EAST OIL AND U.S. FOREIGN POLICY, WITH SPECIAL REFERENCE TO THE U.S. ENERGY CRISIS. BY SHOSHANA KLEBANOFF. New York: Praeger, 1974, 288 pp. \$16.50.

Competent, fairly conventional history of American oil policy since the 1930s. Writing prior to the embargo, the author warned against dependence on Arab sources.

INTERNATIONAL TRADE AND FINANCE: ESSAYS IN HONOUR OF JAN TINBERGEN. EDITED BY WILLY SELLEKAERTS. White Plains (N.Y.): International Arts and Sciences Press, 1974, 292 pp. \$20.00.

Good, often technical, papers in honor of the often technical winner of the Nobel prize.

THE PSYCHOLOGY OF EAST-WEST TRADE: ILLUSIONS AND OPPORTUNITIES. BY ZYGMUNT NAGORSKI, JR. New York: Mason & Lipscomb, 1974, 228 pp. \$9.95.

The intelligent use of historical material and a great flow of contemporary facts from a variety of sources make a very solid underpinning for the "psychology" of this interesting survey. The author is on the staff of the Council on Foreign Relations.

The United States

Gaddis Smith

THE PRESIDENT IS CALLING. BY MILTON S. EISENHOWER. Garden City: Doubleday, 1974, 598 pp. \$12.50.

The author served under every President from Coolidge through Nixon in posts and on assignments ranging from agriculture to crime, "relocation" of Japanese-Americans during World War II to the Office of War Information, Latin America to the Middle East. Here are his memoirs—warm, straightforward, informative—interspersed with suggestions for making the Presidency more effective.

INNOCENTS AT HOME: AMERICA IN THE 1970s. BY TAD SZULC. New York: Viking, 1974, 342 pp. \$10.00.

The author, born and educated in Europe, was for two decades a foreign and domestic political correspondent for *The New York Times*. His book is a product of reflections begun in 1970, following his return to the United States after a five-year absence. After balancing the good and bad strains, Szulc concludes that "essentially we are a decent society."

THE LONG DARK NIGHT OF THE SOUL: THE AMERICAN INTELLECTUAL LEFT AND THE VIETNAM WAR. BY SANDY VOGELGESANG. New York: Harper and Row, 1974, 249 pp. \$8.95.

A trenchant critique, verging on the unsympathetic, of the record of selected intellectuals as critics of American participation in the Vietnam War. The author, a Foreign Service officer, bases her study primarily on a close analysis of four periodicals: *The New Republic*, *The New York Review of Books*, *The Partisan Review*, and *Studies on the Left*.

THE UNITED STATES AGAINST THE THIRD WORLD: ANTINATIONALISM AND INTERVENTION. BY MELVIN GURTOV. New York: Praeger, 1974, 260 pp. \$9.50 (Paper, \$3.95).

A highly critical account of the interventions of Eisenhower in the Middle East, Kennedy in Africa, Johnson in Latin America, and Nixon in Asia. The author advocates nonintervention, but concludes with regret that most interventions have achieved the short-term, selfish objectives of the United States.

CONTEMPORARY AMERICAN FOREIGN POLICY: MINIMAL DIPLOMACY, DEFENSIVE STRATEGY, AND DÉTENTE MANAGEMENT. BY LAWRENCE L. WHETTEN. Lexington (Mass.): Lexington Books, 1974, 360 pp. \$15.00.

A collection of essays written since 1970. The general thrust is that the impact of the Vietnam War on American foreign policy should not be exaggerated; the United States is not returning to isolationism. Recommended more for the beginner or intermediate student than for the specialist.

CHARLES A. LINDBERGH AND THE BATTLE AGAINST AMERICAN INTERVENTION IN WORLD WAR II. BY WAYNE S. COLE. New York: Harcourt Brace Jovanovich, 1974, 298 pp. \$10.00.

A fine, thoughtful monograph by the leading historian of American isolationism in the decade before Pearl Harbor. Based on deep use of manuscript sources, including the Lindbergh papers, and many interviews.

FOREIGN POLICY AND THE BUREAUCRATIC PROCESS: THE STATE DEPARTMENT'S COUNTRY DIRECTOR SYSTEM. BY WILLIAM I. BACCHUS. Princeton: Princeton University Press, 1974, 350 pp. \$14.50.

The State Department in 1966 established a system of country directors, individuals responsible for all American activities with particular countries, "single focal points in Washington to serve our Ambassadors." This study, a sensible blend of empirical data and theory, describes the gap between expectation and reality, based on interviews with 46 of the 49 country directors and nearly 100 others involved with them.

THE INSTITUTE OF PACIFIC RELATIONS: ASIAN SCHOLARS AND AMERICAN POLITICS. BY JOHN N. THOMAS. Seattle: University of Washington Press, 1974, 187 pp. \$8.95.

A slight, but nevertheless interesting, account of the IPR's formation, internal divisions, and collapse under political attack. The author emphasizes the failings of its leaders and plays down the influence of the "China Lobby."

THE CHINA LOBBY IN AMERICAN POLITICS. BY ROSS Y. KOEN. EDITED BY RICHARD C. KAGAN. New York: Harper and Row, 1974, 279 pp. \$4.95 (Paper).

This book was first printed in 1960, but legal action led to its "depublication"

and withdrawal because of statements derogatory to the Chinese Nationalists. A few copies circulated among students of Asian-American relations. Now the original text is reissued under the auspices of the Committee of Concerned Asian Scholars. The book is a detailed, rather pedestrian account of the nature and activities of the "China Lobby" in the 1940s and 1950s.

THE POWER OF THE MODERN PRESIDENCY. BY ERWIN C. HARGROVE. Philadelphia: Temple University Press, 1974, 353 pp. \$10.00.

If a presidential adviser read every new book on the presidency he would have no time to give advice. This volume, by an experienced political scientist, is one of the best, although it may become submerged in the flood. The author postulates an ideal president who leads by persuasion.

WAR AND PRESIDENTIAL POWER: A CHRONICLE OF CONGRESSIONAL SURRENDER. BY THOMAS F. EAGLETON. New York: Liveright, 1974, 240 pp. \$8.95.

The more valuable half of this book is a personal account of the origin and passage of the War Powers legislation of 1973. The first half is a routine history of the rise of presidential power to make war.

HAS THE PRESIDENT TOO MUCH POWER? EDITED BY CHARLES ROBERTS. New York: Harper's Magazine Press, 1974, 257 pp. \$3.50 (Paper).

A collection of speeches and discussions at a 1973 conference convened by the Washington Journalism Center. The speakers were prominent writers and politicians—Sorensen, Schlesinger, McPherson, McGeorge Bundy, Senators Baker and Mondale, among others. More useful as an indication of currents of thought in the year of Watergate than for new insight. Most participants answered the title question in the affirmative.

The Western Hemisphere

Robert D. Crassweller

POLITICS AND TERRITORY: THE SOCIOLOGY OF REGIONAL PERSISTENCE IN CANADA. BY MILDRED A. SCHWARTZ. Montreal: McGill-Queen's University Press, 1974, 344 pp. \$14.75.

An admirable sociological treatise, well supported by data, on the relationship between regional differentiation and political behavior in Canada. The methodology is instructive for an understanding of the same phenomenon in any country.

THE UNITED STATES AND THE CARIBBEAN REPUBLICS, 1921-1933. BY DANA G. MUNRO. Princeton: Princeton University Press, 1974, 394 pp. \$17.50.

With customary solidity and craftsmanship, the notable author traces the evolution of U.S. policies with respect to Cuba, the Dominican Republic, Haiti, and the five Central American countries between the end of the interventionist Wilson era and the coming of the Good Neighbor Policy.

THE DEMOCRATIC LEFT IN EXILE: THE ANTIDICTATORIAL STRUGGLE IN THE CARIBBEAN, 1945-1959. BY CHARLES D. AMERINGER. Coral Gables: University of Miami Press, 1974, 352 pp. \$19.95.

The political generation of Betancourt, Figueres, Muñoz Marín, Juan Bosch, the Cuban Auténticos, and the Caribbean Legion is depicted on a broad canvas by an author who benefited in many instances from personal access to important sources.

THE CUBAN INSURRECTION, 1952-1959. BY RAMÓN L. BONACHEA AND MARTA SAN MARTÍN. New Brunswick: Transaction Books, 1974, 451 pp. \$12.95 (Paper, \$4.95).

The authors, one of whom participated in the first phase of the Cuban revolution, seek to modify the orthodox view that rural guerrilla initiatives dominated events, insisting instead that urban guerrilla support contributed substantially to what was a combined urban-rural movement.

IN CUBA. BY ERNESTO CARDENAL. New York: New Directions, 1974, 340 pp. \$10.50 (Paper, \$3.95).

The Nicaraguan poet-priest, for whom the practice of religion becomes the making of revolution, provides an informal and generally (but not invariably) praiseful first-hand account of Castro's Cuba.

THE POLITICS OF CHANGE: A JAMAICAN TESTAMENT. BY MICHAEL MANLEY. London: André Deutsch, 1974, 223 pp. £2.75.

Mingling idealism and pragmatism, Jamaica's distinguished Prime Minister outlines future policies for his nation, emphasizing "the conscious remodelling of society in terms of social justice, self-reliance and equality." A noteworthy point: beginning with Caribbean regionalism, Jamaican foreign policy should be Third World in its economic orientation.

GETULIO VARGAS OF BRAZIL, 1883-1954. BY RICHARD BOURNE. London: Charles Knight, 1974, 236 pp. £4.50.

This is a political rather than an intimate or fully rounded biography. The stress is upon Vargas's contributions to the process of evolution by which Brazil was transformed from a country to a nation.

PARTIES AND POWER IN MODERN ARGENTINA (1930-1946). BY ALBERTO CIRIA. Albany: State University of New York Press, 1974, 357 pp. \$15.00.

The enigma of Argentina during the more than four decades of confusion that have passed since the fall of Yrigoyen receives yet another analysis. The emphasis here is upon the influential pressure groups whose rising power is contrasted with the decline and impotence of the traditional political parties.

AMERICAN CORPORATIONS AND PERUVIAN POLITICS. BY CHARLES T. GOODSSELL. Cambridge: Harvard University Press, 1974, 272 pp. \$14.00.

A detailed and essentially balanced study with strong political emphasis. The author concludes that corporate foreign investors are neither complete economic imperialists nor uniformly good citizens, and should be accepted selectively by host governments.

THE ANDEAN GROUP: A CASE STUDY IN ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES. BY DAVID MORAWETZ. Cambridge: MIT Press, 1974, 171 pp. \$18.50.

A concise study, oriented to readers versed in economics. The author concludes that ANCOM, although no panacea, is potentially beneficial, and that the comparative extent of any such benefits depends on the alternative arrangements one postulates.

LATIN AMERICA AND THE UNITED STATES: THE CHANGING POLITICAL REALITIES. EDITED BY JULIO COTLER AND RICHARD R. FAGEN. Stanford: Stanford University Press, 1974, 417 pp. \$17.50 (Paper, \$4.95).

These 11 extensive essays (with shorter commentaries on each) by recognized foreign policy analysts and social scientists, represent the agenda of the 1972 conference at the Institute of Peruvian Studies in Lima. Topics include political, economic, and military relations, governmental policymaking, and multinational corporate issues.

NEW APPROACHES TO LATIN AMERICAN HISTORY. EDITED BY RICHARD GRAHAM AND PETER H. SMITH. Austin: University of Texas Press, 1974, 275 pp. \$8.75.

Nine essays devoted to changes in methodology and concept that affect Latin American and other historical writing, expressing "the exposition of a research style: a style based on systematic doubt, an awareness of the need for conceptual rigor, and a willingness to try new methodologies."

Western Europe

Fritz Stern

LA MONARCHIE RÉPUBLICAINE. BY MAURICE DUVERGER. Paris: Laffont, 1974, 283 pp. Fr. 28.

A well-known political scientist discovers a new political variant emerging in most Western countries today: leaders, here called monarchs, who derive their legitimacy from elections. A facile essay, some clever aperçus, but not particularly enlightening.

MÉMOIRES: FIN D'UN EMPIRE. V. 4: L'ALGÉRIE, DE GAULLE ET MOI. BY RAOUL SALAN. Paris: Presses de la Cité, 1974, 379 pp. Fr. 37.

The fourth volume of this fascinating set of memoirs covers the first stages of de Gaulle's complicated and necessarily devious Algerian policy. De Gaulle had placed Salan in Algeria in June 1958, recalled him in December, and thereafter Salan watched the new policy with mounting disillusionment. A book full of new, sometimes poignant details, and an evocation of the strengths and weaknesses of the military mind and ethos.

GENERAL MAURICE SARRAIL, 1856-1929: THE FRENCH ARMY AND LEFT-WING POLITICS. BY JAN KARL TANENBAUM. Chapel Hill: University of North Carolina Press, 1974, 300 pp. \$12.95.

A highly readable study of a leading French general who by his close political and ideological ties to the moderate Left aroused the ire of nationalists and right-wing politicians. Particularly revealing on Sarraill's role in the First World War and in the Levantine rebellion of 1925.

FRENCH INTERNATIONAL POLICY UNDER DE GAULLE AND POMPIDOU: THE POLITICS OF GRANDEUR. BY EDWARD A. KOŁODZIEJ. Ithaca: Cornell University Press, 1974, 618 pp. \$24.50.

A discussion of the premises and consequences of French foreign policy under de Gaulle and Pompidou. The focus is on the Western world, with two chapters on North Africa and the Middle East.

FRENCH COMMUNISM, 1920-1972. BY RONALD TIERSKY. New York: Columbia University Press, 1974, 425 pp. \$15.00.

The only one-volume history of the PCF available in English, written by a young American political scientist who tries to analyze the role of the Party primarily in the context of French politics. A useful and important contribution.

LA VI^e RÉPUBLIQUE. BY MICHÈLE COTTA. Paris: Flammarion, 1974, 208 pp. Fr. 19.50.

A seasoned journalist's fast and fascinating account of the reordering of French politics after Pompidou's death.

PLEDGE TO DESTINY: CHARLES DE GAULLE AND THE RISE OF THE FREE FRENCH. BY ROBERT SMITH THOMPSON. New York: McGraw-Hill, 1974, 282 pp. \$9.95.

A breezy retelling of a familiar story; poetic license without poetic vision is an inadequate substitute for scholarly inquiry.

SEHR VEREHRTER HERR BUNDESKANZLER! HEINRICH VON BRENTANO IM BRIEFWECHSEL MIT KONRAD ADENAUER, 1949-1964. BY ARNULF BARING. Hamburg: Hoffmann & Campe, 1974, 511 pp. DM. 45.

The distinguished analyst of Adenauer's foreign policy has edited the private letters of von Brentano (head of the CDU in the Bundestag, later Foreign Minister) to Adenauer. Baring's own shrewd and elegant commentary together with the candor of the letters make this a splendid source for the history of the Adenauer era.

ABRÜSTUNGS- UND ENTSPANNUNGSPOLITIK ZWISCHEN SICHERHEITSBEFRIEDIGUNG UND FRIEDENSSICHERUNG: ZUR AUSSEN-POLITIK DER BRD 1955-1973. BY HELGA HAFTENDORN. Düsseldorf: Bertelsmann Universitätsverlag, 1974, 536 pp. DM. 45.

A careful, scholarly analysis of West German foreign policy, with particular emphasis on the political ramifications of various proposals for disarmament and security arrangements.

GOVERNMENT IN THE FEDERAL REPUBLIC OF GERMANY: THE EXECUTIVE AT WORK. BY NEVIL JOHNSON. Elmsford (N.Y.): Pergamon Press, 1974, 218 pp. \$10.50.

Focusing on the Federal Executive in German politics, Nevil Johnson, a British political scientist, has written an admirably compact and intelligent account of German politics in its broader aspects.

GERMAN FOREIGN POLICIES, WEST & EAST: ON THE THRESHOLD OF A NEW EUROPEAN ERA. BY PETER H. MERKL. Santa Barbara (Calif.): ABC-Clio Press, 1974, 232 pp. \$13.00 (Paper, \$4.25).

A concise, somewhat superficial summary of the foreign policies of the two Germanies, considered in light of their common past and divergent political systems since 1945.

TSCHECHEN UND DEUTSCHE: 1939-1946. BY JOHANN WOLFGANG BRÜGEL. Munich: Nymphenburger, 1974, 325 pp. DM. 65.

In this sequel to his standard work on Germans in the pre-Munich Czechoslovak Republic, Brügel, a German born in Czechoslovakia and now living in London, depicts how the Czech government-in-exile gradually resolved on the expulsion of all Germans in a reconstituted state and did so against the background of Nazi atrocities and intricate Allied politics. An important subject, dealt with judiciously but a bit episodically.

A DAY'S MARCH NEARER HOME. BY ROGER PARKINSON. New York: McKay, 1974, 551 pp. \$9.95.

This final volume of an extraordinarily lucid trilogy on British conduct of the war, based to a large extent on the War Cabinet notes, takes us from the North

African invasion to VE-Day and Churchill's defeat at the polls in July 1945. A fine and highly readable account.

THE GREAT MAN: A PORTRAIT OF WINSTON CHURCHILL. BY ROBERT PAYNE. New York: Coward, McCann and Geoghegan, 1974, 416 pp. \$10.95.

Another racy, unoriginal account of a great personage by an author who, having previously tackled Gandhi and Lenin, now claims, incongruously: "There are no great men." The subject hardly justifies sentences like "white flames of paranoia . . . beginning to glow with an unearthly light."

AMICABLE AGREEMENT VERSUS MAJORITY RULE: CONFLICT RESOLUTION IN SWITZERLAND. BY JÜRIG STEINER. Chapel Hill: University of North Carolina Press, 1974, 312 pp. \$12.95.

A treatise on various aspects of Swiss politics, with as much concern for the theory of comparative politics as for the Swiss substance. A book for specialists, with a foreword by Stein Rokkan, the European dean of cross-national, comparative studies.

ITALIA, ITALIA. BY PETER NICHOLS. Boston: Atlantic—Little, Brown, 1974, 346 pp. \$8.95.

The longtime London *Times* correspondent in Rome has written a rather uneven account of Italian life, much of it sharp and sensible, some of it facile and a bit redundant. A pleasant and useful introduction.

LE COMITÉ D'ACTION POUR LES ÉTATS-UNIS D'EUROPE DE JEAN MONNET. BY PASCAL FONTAINE. Lausanne: Centre de Recherches Européennes, 1974, 242 pp. Swiss Fr. 52.

"*Le Père de l'Europe*," he used to be called, and his extraordinary work for a united Europe from 1956 to 1968, while holding no official position, is the subject of this amply researched study. The author now works for Monnet's Committee; the book was a thesis at the University of Paris.

BETWEEN SOVEREIGNTY AND INTEGRATION. EDITED BY GHITA IONESCU. New York: Halsted Press, 1974, 192 pp. \$11.95.

An unusually successful symposium, originally prepared for the World Congress of the International Political Science Association in 1973, on aspects of the growth of supranational institutions in the light of the older traditions of national sovereignty. Important questions are formulated and, in some essays, perceptively discussed.

SOCIAL DEMOCRACY IN POST-WAR EUROPE. BY WILLIAM E. PATERSON AND IAN CAMPBELL. New York: St. Martin, 1974, 82 pp. \$6.95.

A useful essay, appallingly overpriced, on key aspects of the Social Democratic parties, including their ideologies and foreign and domestic policies.

The Soviet Union and Eastern Europe

John C. Campbell •

LIBERALS IN THE RUSSIAN REVOLUTION: THE CONSTITUTIONAL DEMOCRATIC PARTY, 1917–1921. BY WILLIAM G. ROSENBERG. Princeton: Princeton University Press, 1974, 534 pp. \$25.00 (Paper, \$9.75).

Reading this detailed history based on thorough research, one sees how both external circumstance and internal weakness condemned the Kadets, the "party of the professors," to inevitable failure in a period of social dissolution and civil war.

WHITE AGAINST RED: THE LIFE OF GENERAL ANTON DENIKIN. BY DIMITRY V. LEHOVICH. New York: Norton, 1974, 556 pp. \$12.50.

Few will quarrel with the claim that this is the "definitive" biography. The author, who fought in Denikin's army in the civil war and knew him personally in exile, had access to his papers and makes good use of a quantity of contemporary material.

HERBERT HOOVER AND FAMINE RELIEF TO SOVIET RUSSIA: 1921-1923. BY BENJAMIN M. WEISSMAN. Stanford: Hoover Institution Press, 1974, 247 pp. \$7.95.

It is appropriate that the Hoover Institution should publish this careful and objective account of the American Relief Administration, based in large part on Hoover's papers, and strange that it had not been done before.

THE RINGS OF DESTINY: INSIDE SOVIET RUSSIA FROM LENIN TO BREZHNEV. BY AINO KUUSINEN. New York: Morrow, 1974, 255 pp. \$7.95.

The memoirs (first published in Germany in 1972, two years after the author's death) of Otto Kuusinen's wife, who worked with the Comintern, with Soviet intelligence, and then spent 15 years in Stalin's prisons and labor camps. A unique and revealing story.

SAMIZDAT: VOICES OF THE SOVIET OPPOSITION. EDITED BY GEORGE SAUNDERS. New York: Monad Press (for the Anchor Foundation), 1974, 464 pp. (New York: Pathfinder Press, distributor, \$13.00; paper, \$3.95).

An anthology of dissident writings, of which the longest and most arresting piece is "Memoirs of a Bolshevik-Leninist," representing the Trotskyist opposition in the 1920s and 1930s.

THE SOVIET IMPACT ON WORLD POLITICS. EDITED BY KURT LONDON. New York: Hawthorn, 1974, 312 pp. \$13.95.

A group of distinguished authors (including Leonard Schapiro, Hugh Seton-Watson, Thomas Wolfe and others) tell us many things they have told us before, plus a little more. The book is drawn together by a well-conceived theme and an able editor, who writes the concluding chapter.

THE SOVIET ENERGY BALANCE. BY IAIN F. ELLIOT. New York: Praeger, 1974, 277 pp. \$18.50.

An admirable exposition of the Soviet Union's situation and prospects in energy, bringing together a wealth of statistical information from scattered Soviet sources. One of the main conclusions is that increasing domestic consumption will intensify the problem of keeping up exports of oil and gas to Eastern and Western Europe.

THE FORGOTTEN FRIENDSHIP: ISRAEL AND THE SOVIET BLOC, 1947-53. BY ARNOLD KRAMMER. Urbana: University of Illinois Press, 1974, 224 pp. \$10.00.

In the most interesting part of this book, the story of how Czech arms got to the Haganah in 1948, the author gives us much new information. The discussion of Soviet policy is less revealing.

POLITICAL MODERNIZATION IN EASTERN EUROPE: TESTING THE SOVIET MODEL. EDITED BY CHARLES GATI. New York: Praeger, 1974, 389 pp. \$22.50.

Despite its mixture of many authors (the result of a conference held in 1973), and its not always successful attempt to tie everything to the theme of modern-

ization, this is an important and thought-provoking book reflecting the growing maturity of American expertise on Eastern Europe.

EAST EUROPEAN PERSPECTIVES ON EUROPEAN SECURITY AND COOPERATION. EDITED BY ROBERT R. KING AND ROBERT W. DEAN. New York: Praeger, 1974, 254 pp. \$17.50.

The value of these essays by well-informed analysts of the staff of Radio Free Europe lies in their timeliness and objectivity. Their shortcomings stem from the difficulties (not unique to these authors) of judging the longer-term trends in East-West negotiations and relations in Europe.

FOREIGN TRADE PRICES IN THE COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE. BY EDWARD A. HEWETT. New York: Cambridge University Press, 1974, 196 pp. \$17.50.

A technical work which, because of the key nature of the price question, is relevant to the broader questions of CMEA integration and Soviet-East European relations.

GERMAN POLITICS UNDER SOVIET OCCUPATION. BY HENRY KRISCH. New York: Columbia University Press, 1974, 312 pp. \$15.00.

An excellent monograph on the merger of the SPD with the KPD to form the new and Communist-run Socialist Unity Party in the Soviet zone of Germany in 1945-46. It leaves no doubt that the decisive factors were Soviet power and manipulation.

POLISH POLITICS IN TRANSITION: THE CAMP OF NATIONAL UNITY AND THE STRUGGLE FOR POWER, 1935-1939. BY EDWARD D. WYNOT, JR. Athens: University of Georgia Press, 1974, 294 pp. \$12.50.

Venturing into territory that is generally familiar but still insufficiently explored, an American scholar has written a superior book on the post-Pilsudski years. He uses his sources carefully and wields no whitewash brush.

BÜRGER ZWEITER KLASSE: ANTISEMITISMUS IN DER VOLKSREPUBLIK POLEN UND DER UDSSR. BY RICHARD HAMMER. Hamburg: Hoffmann & Campe, 1974, 278 pp. DM. 26.

The bulk of this book deals with the campaign against Jews in Poland which reached its height with the "struggle against Zionism" in 1968. The treatment of the Jewish question in the U.S.S.R. is superficial.

SEVEN DAYS OF FREEDOM: THE HUNGARIAN UPRISING 1956. BY NOEL BARBER. New York: Stein & Day, 1974, 266 pp. \$8.95.

A journalist's belated first-hand account of the Hungarian revolt, containing some vivid writing, cool analysis, and sharp judgments on the roles played by such as Nagy, Tildy, Kadar, and Radio Free Europe.

The Middle East and North Africa

John C. Campbell

CONFRONTATION: THE MIDDLE EAST AND WORLD POLITICS. BY WALTER LAQUEUR. New York: Quadrangle/The New York Times Book Company, 1974, 308 pp. \$8.95.

Another new book by the prolific Mr. Laqueur to cover another round of war. Here he discourses on U.S.-Soviet and U.S.-European relations and the oil problem as well as the course of the war itself. As usual, well-informed and lucid,

he summarizes the available information and adds his own comment, much of it in the form of advice to Europeans and to Israel.

THE YOM KIPPUR WAR: ISRAEL AND THE JEWISH PEOPLE. EDITED BY MOSHE DAVIS. New York: Arno Press, 1974, 362 pp. \$9.00.

A collection of essays and commentaries on relationships between the Diaspora and the state of Israel. The editor refers to the war as "both summation and beginning," but where the signposts point is far from clear.

BETWEEN ENEMIES: A COMPASSIONATE DIALOGUE BETWEEN AN ISRAELI AND AN ARAB. BY AMOS ELON AND SANA HASSAN. New York: Random House, 1974, 151 pp. \$5.95.

Fresh and mildly hopeful conversations, in which a liberal, humane mind from each side confronts the insoluble Arab-Israeli problem.

INFORMATION AND THE ARAB CAUSE. BY M. ABDEL-KADER HATEM. New York: Longman, 1974, 320 pp. \$15.00.

Egypt's Deputy Prime Minister, who has long been involved in his government's information services, analyzes the role of the media in Arab affairs since 1952. Striking the theme of "Arab information vindicated," he points to the improving world image of the Arabs in recent years.

ARAB GUERRILLA POWER, 1967-1972. BY EDGAR O'BALLANCE. Hamden (Conn.): Archon Books, 1974, 246 pp. \$10.50.

Good coverage, from public sources, of the activities of the various fedayeen groups in the wake of the 1967 war, with emphasis on their weaknesses and failures.

EGYPT: THE PRAETORIAN STATE. BY AMOS PERLMUTTER. New Brunswick: Transaction Books, 1974, 234 pp. \$9.95.

An Israeli political scientist takes issue with many scholars who have written on Egyptian civil-military relations. His interpretation of Egypt's governing system since 1952 argues that its essence is military praetorianism, but that where Nasser controlled the military, Sadat is dependent on them.

NASSERIST IDEOLOGY: ITS EXPONENTS AND CRITICS. BY NISSIM REJWAN. New York: Halsted Press/Jerusalem: Israel Universities Press, 1974, 271 pp. \$15.00.

With relative objectivity, but barely concealed satisfaction, an Israeli scholar cites many Egyptian writings to illustrate the confusion and emptiness of Nasserism and notes the widespread desire in Arab intellectual circles for its reappraisal.

THE EGYPTIAN ECONOMY, 1952-1972. BY ROBERT MABRO. New York: Oxford University Press, 1974, 254 pp. \$12.75.

A useful survey, covering the efforts of the revolutionary regime in land reform, construction of the High Dam, and industrialization. The author expresses pessimism as to Egypt's future, largely because of population pressure.

DEMOCRACY ON TRIAL: REFLECTIONS ON ARAB AND AFRICAN POLITICS. BY MOHAMED AHMED MAHGOUB. London: André Deutsch, 1974, 318 pp. £4.95.

The last civilian Prime Minister of Sudan opens a few windows as he deals with a wide range of events (in many of which he was personally involved) in

both his own country and the wider Arab world. His appraisal of Nasser, whom he accuses of bringing about his overthrow, is especially notable for its candor.

AFGHANISTAN IN THE 1970s. EDITED BY LOUIS DUPREE AND LINETTE ALBERT. New York: Praeger, 1974, 266 pp. \$18.50.

This collection of specialized essays deals with a variety of topics on contemporary Afghanistan—history, society, culture, economic development, foreign relations.

UNE RÉPUBLIQUE POUR UN ROI. BY PIERRE JULY. Paris: Fayard, 1974, 285 pp. Fr. 38.

A valuable historical work on the events of 1955–56 in Franco-Moroccan relations: the return of Ben Youssef from exile and the end of the French protectorate. July was Minister for Moroccan Affairs in the government of Edgar Faure.

ISLAM AND CAPITALISM. BY MAXIME RODINSON. New York: Pantheon, 1974, 308 pp. \$10.00.

The learned French orientalist argues, with lengthy historical illustrations, that religion has had little negative influence on specific economic activity in Islamic lands, and that Islamic society will not be able to escape the modern world. He holds to his faith in Marxism as the guide for future progress.

South and Southeast Asia

Lewis C. Austin

MAINSPRINGS OF INDIAN AND PAKISTANI FOREIGN POLICIES. BY S. M. BURKE. Minneapolis: University of Minnesota Press, 1974, 308 pp. \$13.50.

The author, ex-High Commissioner for Pakistan and judge in the Indian Civil Service, is impartial but unsparing in his critical analysis of the failure of both Indian and Pakistani policy. The prerequisites to change he sees as a lessening of both great-power manipulation and religious intolerance; but he has no optimism about either.

URBAN POLITICS IN INDIA: AREA, POWER, AND POLICY IN A PENETRATED SYSTEM. BY RODNEY W. JONES. Berkeley: University of California Press, 1974, 420 pp. \$20.00.

Indian city politics as described in this study are flawed by power resident at state and central government levels; a continual tug-of-war between bureaucrats and elected representatives; and decision-making taken only at the highest levels. It sounds quite like New York. The drawback of such a polity, cautions Jones, is that policy tends to "buy allegiances," to redistribute old goods rather than create new ones, an outcome also not unknown outside India.

POLITICS IN SRI LANKA, 1947–1973. BY A. JEYARATNAM WILSON. New York: St. Martin, 1974, 347 pp. \$18.95.

A comprehensive and sympathetic analysis of a strategically situated tropical island, with a tolerant and easy-going people, and a land productive in plantation cash crops, where politics are those of ethnic rivalry, crisis management, poverty, insurrection, and diplomatic defenselessness.

ELECTORAL POLITICS IN SOUTH VIETNAM. EDITED BY JOHN C. DONNELL AND CHARLES A. JOINER. Lexington (Mass.): Lexington Books, 1974, 198 pp. \$14.00.

Can the politics of the ballot replace those of the gun in South Vietnam? The authors of these papers are pessimistic: a parliamentary system would be nice, but neither the government nor the opposition seems to have much interest in trying it seriously.

REVOLUTIONARY ORGANIZATION: INSTITUTION-BUILDING WITHIN THE PEOPLE'S LIBERATION ARMED FORCES. BY PAUL BERMAN. Lexington (Mass.): Lexington Books, 1974, 249 pp. \$14.00.

The author of this ingenious study finds the "genius of the Communist model" to lie in its use of traditional values to reinforce modern organization. In the PLAF, he concludes, the cadres display commitment, the other ranks conformity; but if the cadres' commitment can withstand the stress of war long enough, the new life-style will produce new commitment for all.

METROPOLITAN GROWTH: PUBLIC POLICY FOR SOUTH AND SOUTHEAST ASIA. EDITED BY LEO JAKOBSON AND VED PRAKASH. Beverly Hills (Calif.): Sage Publications, 1974, 301 pp. (New York: Halsted Press, distributor, \$17.50).

City planning is hard enough anywhere in the world; but the problems of Singapore, Karachi and Calcutta are monumental. They are analyzed here by a team of social scientists who find the only feasible goal to be "reducing the levels of human discomfort."

PEASANT REBELLION AND COMMUNIST REVOLUTION IN ASIA. EDITED BY JOHN WILSON LEWIS. Stanford: Stanford University Press, 1974, 364 pp. \$12.95.

Some conclusions on the Asian revolutions of our time: freeholding peasants are more prone to insurrection than poor tenants; people join revolutions because they have something to gain rather than nothing to lose; Asian revolutions of the twentieth century have been protracted because the revolutionaries have had to create a state to capture.

HUMAN FERTILITY IN INDIA: SOCIAL COMPONENTS AND POLICY PERSPECTIVES. BY DAVID G. MANDELBAUM. Berkeley: University of California Press, 1974, 132 pp. \$6.00.

CHINA'S POPULATION STRUGGLE: DEMOGRAPHIC DECISIONS OF THE PEOPLE'S REPUBLIC, 1949-1969. BY H. YUAN TIEN. Columbus: Ohio State University Press, 1973, 405 pp. \$15.00.

India and China both face massive problems of overpopulation. The first has made little progress; the second, much. The difference, not surprisingly, appears due to the political muscle behind the respective efforts.

East Asia and the Pacific

Lewis C. Austin

CHINA PERCEIVED: IMAGES AND POLICIES IN CHINESE-AMERICAN RELATIONS. BY JOHN K. FAIRBANK. New York: Knopf, 1974, 245 pp. \$7.95.

The dean of American sinologists offers a miscellany of random thoughts: among others, that neither sentimentality nor the fascination of the exotic is a proper response to China; that we are more ignorant of China than China is of America, although the competition is a close one; that we need more China scholars.

THE IDEA OF CHINA: MYTH AND THEORY IN GEOGRAPHIC THOUGHT. BY ANDREW L. MARCH. New York: Praeger, 1974, 167 pp. \$8.50.

The author, professor of geography at the University of Denver, argues that the stock image of China in the European mind owes more to the Western need for a contrasting backdrop to define the European identity than to Chinese reality. His book is an ingenious exercise in intellectual history and intellectual polemics.

A MEMOIR OF CHINA IN REVOLUTION: FROM THE BOXER REBELLION TO THE PEOPLE'S REPUBLIC. BY CHESTER RONNING. New York: Pantheon, 1974, 306 pp. \$10.00.

Vivid recollections, based on letters, notes and diaries, by a Canadian diplomat who lived in China for a quarter-century. Some new light emerges on the diplomatic infighting of 1954 over Korea and Indochina, that of 1961 over Laos, and of 1966 over Vietnam.

CHINESE WAYS IN WARFARE. EDITED BY FRANK A. KIERNAN, JR. AND JOHN K. FAIRBANK. Cambridge: Harvard University Press, 1974, 401 pp. \$18.50.

A Harvard symposium of 1969 provides seven case studies in Chinese military history and a penetrating introductory summation which stresses the Chinese insistence on the ends, not the means, of warfare: the goal is to change an opponent's mind; violence is not always the best technique.

JAPAN'S TECHNOLOGICAL CHALLENGE TO THE WEST, 1950-1974: MOTIVATION AND ACCOMPLISHMENT. BY TERUTOMO OZAWA. Cambridge: MIT Press, 1974, 162 pp. \$12.50.

In this thoroughly documented analysis, the author finds the key to Japanese economic dynamism in two factors: the applicability of the Schumpeterian model of development, where innovation stimulates growth, and the intensity of the national need to catch and surpass the West.

LESSONS FROM JAPANESE DEVELOPMENT: AN ANALYTICAL ECONOMIC HISTORY. BY ALLEN C. KELLY AND JEFFREY G. WILLIAMSON. Chicago: University of Chicago Press, 1974, 285 pp. \$15.00.

Is nineteenth-century Japan a model for growth in the Third World today? The authors conclude that small agricultural growth and shifts to industry were the fortuitous (and inimitable) result of a combination of high factor productivity growth, inelastic land supply and low population pressure. Two lessons, however, can be copied: military spending cuts income growth, and low-income elasticity of demand for food fosters growth.

JAPANESE RADICALS REVISITED: STUDENT PROTEST IN POST-WAR JAPAN. BY ELLIS S. KRAUSS. Berkeley: University of California Press, 1974, 192 pp. \$11.00.

Do young radicals become middle-aged conservatives? This fine study finds them more likely to be progressive, to envision active political methods, and to be cynical and mistrustful of government. The paradox of their ideological maturity is that they have become less Marxist, and have deserted the Socialist for the Communist Party. A model of research that answers and raises important questions.

FARM AND NATION IN MODERN JAPAN: AGRARIAN NATIONALISM, 1870-1940. BY THOMAS R. H. HAVENS. Princeton: Princeton University Press, 1974, 358 pp. \$15.00.

Japan's entry into the modern world of the bureaucratic state left much of the population resentful, nostalgic, and confused, and nurtured the ideologists of *Nōhonshugi*—"the farm is the basis." Havens portrays with insight and sympathy the ironic fate of this rural-romantic movement—where idealization of harmony led to violence, respect for self-rule to imperial adventures.

WITHOUT PARALLEL: THE AMERICAN-KOREAN RELATIONSHIP SINCE 1945. EDITED BY FRANK BALDWIN. New York: Pantheon, 1974, 376 pp. \$15.00 (Paper, \$3.95).

These seven essays present a dissenting view of U.S. postwar policy in Korea. They find the rapid economic development of the South and the satisfaction of American strategic interests an insufficient counterpart to the failure of South Korean democracy. No alternatives are offered, save what seems a preference for the devil one doesn't know (Kim) to the devil one does (Park).

THE NORTH KOREAN ECONOMY: STRUCTURE AND DEVELOPMENT. BY JOSEPH SANG-HOON CHUNG. Stanford: Hoover Institution Press, 1974, 212 pp. \$7.50.

Assiduous research coupled with shrewd inference and extrapolation to demonstrate that centralization and bureaucratic control have been effective in raising national income and living standards over the period 1954-67. A subsequent lag in growth rates is attributed either to increased military spending or to the inability of the bureaucracy to handle a more complex economy.

POLITICAL DEVELOPMENT IN MICRONESIA. EDITED BY DANIEL T. HUGHES AND SHERWOOD G. LINGENFELTER. Columbus: Ohio State University Press, 1974, 333 pp. \$15.00.

A team of anthropologists and political scientists looks at an increasingly unstable situation—the American occupation of Micronesia—and finds no easy answers to satisfy the conflicting pressures of independence sentiment and strategic interests. Their best-bet solution: neutralization.

Africa

Jennifer Seymour Whitaker

PEASANT POLITICS: CONFLICT AND DEVELOPMENT IN MURANG'A. BY GEOFF LAMB. New York: St. Martin, 1974, 160 pp. \$10.95.

TANZANIA: LOCAL POLITICS AND THE STRUCTURE OF POWER. BY JOEL SAMOFF. Madison: University of Wisconsin Press, 1974, 286 pp. \$13.50.

Taken together these two books point up the divergence between the political development to date of "capitalist" Kenya and "socialist" Tanzania. Lamb's work analyzes the consolidation of control by a "rural elite" of "rich peasants" in a district in Kenya and their ability to frustrate the broader developmental plans of the central government—where it interfered with their economic interests. Samoff's study constitutes, in effect, an interim report on the effectiveness of Tanzanian socialism in restraining the growth of an elite. From the evidence of what seems to be a closely observed and sophisticated investigation of politics in a major regional center in Kilimanjaro, the author concludes that discernible progress is being made toward the achievement of Nyerere's and TANU's (Tanzania's single party) goals of egalitarianism and widespread participation.

URBAN POLICY AND POLITICAL CONFLICT IN AFRICA: A STUDY

OF THE IVORY COAST. BY MICHAEL A. COHEN. Chicago: University of Chicago Press, 1974, 262 pp. \$14.75.

While the author's observations about Ivoirian politics contain few surprises, his investigations do indicate quite convincingly that significant political pressures are being generated in urban Ivory Coast by interest groups cutting across tribal lines.

WHICH TRIBE DO YOU BELONG TO? BY ALBERTO MORAVIA. New York: Farrar, Straus & Giroux, 1974, 217 pp. \$7.95.

In a series of journeys through East and West Africa over the past ten years, the Italian novelist acutely perceives and sensitively reports on the enormous gap between himself as Western man and the (largely upcountry) Africans he encounters; in addition his prose rendering of the beauty, fearfulness and even the deadening monotony of the African hinterlands makes most photographic safaris seem decidedly monochromatic.

FOREIGN POLICY AND FEDERALISM: THE NIGERIAN EXPERIENCE. BY A. B. AKINYEMI. Ibadan: Ibadan University Press, 1974, 217 pp. Nigerian Naira 6.00 (Paper, 3.00).

A Nigerian political scientist lays out here a fascinating and impressively intricate anatomy of the internal political currents which were subsumed into the conservative foreign policy of Nigeria before 1966; on each of the major issues—the Congo, Nkrumah's leadership role, Arab Africa and southern Africa, Cameroonian independence and particularly pan-Africanism—he shows how ideology, ethnicity and electoral politics both opposed and reinforced one another, with the overall result that strong radical currents in opposition to Balewa's policies, though expressed, were ultimately set aside.

SOUTH AFRICA: ECONOMIC GROWTH AND POLITICAL CHANGE. EDITED BY ADRIAN LEFTWICH. New York: St. Martin, 1974, 360 pp. \$12.95.

The old themes are replayed here with new data and considerable style; the overall conclusion remains the same: economic growth may alter South African society but will not seriously affect racial politics.

DRUMS OF WAR: THE CONTINUING CRISIS IN RHODESIA. EDITED BY GEORGE M. DANIELS. New York: Third Press, 1974, 190 pp. \$10.00.

An interesting, and often rather effective, mix of primary sources on Rhodesia and the liberation movements, with an afterword by Congressman Charles Diggs detailing the recent U.S. "tilt" toward the white-minority regimes.

U.S. NEOCOLONIALISM IN AFRICA. BY STEWART SMITH. New York: International Publishers, 1974, 270 pp. \$8.00 (Paper, \$2.95).

The author of this Marxist analysis (an American research fellow at the Institute of World Economy and International Relations of the Soviet Academy of Sciences) has amassed a large amount of data (most of it, at a glance, fairly accurate, though not very new) in support of his thesis about U.S. economic imperialism in Africa and collusion with the white-minority regimes.

BURUNDI: THE TRAGIC YEARS. BY THOMAS PATRICK MELADY. Maryknoll (N.Y.): Orbis Books, 1974, 110 pp. \$4.95.

An extremely ingenuous personal memoir, by a former U.S. Ambassador to Burundi, of the April 1972 Hutu uprising in that country, and its bloody aftermath.

SOURCE MATERIAL

By Donald Wasson

I. DOCUMENTS

Documents may be procured from the following: *United States*: Gov't. Printing Office, Superintendent of Documents, Washington, D.C. 20402. *United Nations, International Court of Justice*: United Nations, Sales Section, New York 10017. *United Nations Educational, Scientific and Cultural Org.* and *Food and Agric. Org.*: Unipub, Inc., P.O. Box 433, New York 10016. *Int. Labor Office*: 917 15th St., N.W., Washington, D.C. 20005. *European Communities*: 2100 M. St., N.W., Washington, D.C. 20037. *Organization for Economic Cooperation and Development*: 1750 Pennsylvania Ave., N.W., Washington, D.C. 20006. Washington imprints are Government Printing Office, and Congressional documents, unless otherwise noted, are for the 93rd Congress, 2nd Session. New York imprints are United Nations, unless otherwise noted.

AFRICA

NIGERIA: options for long-term development; report of a mission sent to Nigeria by the World Bank. Baltimore, The Johns Hopkins University Press (for the International Bank for Reconstruction and Development), 1974. 256 pp. \$6.00.

A TRUST betrayed: Namibia. N.Y., 1974. 43 pp. (74.I.19.) \$2.00.

ASIA AND THE PACIFIC AREA

SHARING in development: a programme of employment, equity and growth for the Philippines; a report of an inter-agency team financed by the United Nations Development Programme and organised by the International Labour Office. Geneva, International Labour Office, 1974. 685 pp. Sw. Fr. 36.00.

HUMANITARIAN problems in Indochina. Hearing . . . , Committee on the Judiciary, Jl. 18, 1974. Washington, 1974. 195 pp.

VIETNAM: May 1974. Staff report . . . , Committee on Foreign Relations, Aug. 5, 1974. Washington, 1974. 47 pp. (Com. Print.)

ATOMIC POWER

. . . . To enable Congress to concur in or disapprove certain international agreements for peaceful cooperation. Report, Joint Committee on Atomic Energy, to accompany S. 3698, Je. 25, 1974. Washington, 1974. 4 pp. (S. Rept. 93-964.)

— . Conference report, Aug. 19, 1974. Washington, 1974. 4 pp. (H. Rept. 93-1299.)

COMMERCIAL POLICY AND TRADE

TRADE Reform Act of 1973. Hearing, Committee on Finance, Senate, on H.R. 10710, Mar. 4-Apr. 10, 1974. Washington, 1974. Pts. 3-6.

— . Staff papers provided by the U.S. Tariff Commission for the Committee on Finance, Senate, Jl., 1974. Washington, 1974. 31 pp. (Com. Print.)

— . Digest of testimony . . . Committee on Finance, Senate, Oct. 1974. Washington, 1974. 92 pp. (Com. Print.)

EXPORT expansion legislation. Hearing, Subcommittee on Foreign Commerce and Tourism, Committee on Commerce, Senate, 93rd Cong., 1st Sess., on S. 1483 and S. 1774, Sept. 6, 1973. Washington, 1974. Pt. 2.

THE ROLE of the Export-Import Bank and export controls in U.S. international economic policy. Hearings, Subcommittee on International Finance, Committee on Banking, Housing and Urban Affairs, Senate, on S. 1890 and S. 3282, Apr. 2-May 2, 1974. Washington, 1974. 725 pp.

EXPORT Development Credit Fund. Hearing, Committee on Finance, Senate, on S. 2335, Sept. 6, 1973. Washington, 1973. 206 pp.

RUSSIAN grain transactions. Report, Committee on Government Operations, Senate, Jl. 29, 1974. Washington, 1974. 67 pp. (S. Rept. 93-1033.)

U.S. implementation of international fishing agreements. Hearings, Subcommittee on International Organizations and Movements, Committee on Foreign Affairs, House, on H.R. 12597 and H.R. 12722, May 15, 1973; Feb. 14, 1974. Washington, 1974. 124 pp.

SUMMARY of the hearings before the Group of Eminent Persons to Study the Impact of Multinational Corporations on Development and on International Relations. N.Y., 1974. 455 pp. (74.II.A.9.) \$18.00.

INTERNATIONAL trade in cotton textiles and the developing countries: problems and prospects. N.Y., 1974. 86 pp. (74.II.D.8.) \$4.00.

DISARMAMENT

ARMS Control and Disarmament Act, amendments. Act, approved Jl. 18, 1974. Washington, 1974. 1 p. (93-332—H.R. 12799.)

EASTERN EUROPE

DOKUMENTY vneshnei politiki SSSR. Moscow, Izdatel'stvo Politicheskoi Literatury (for the Ministerstvo Inostrannykh Del SSR), 1973.

Vol. 18. 1 ianvaria—31 dekabria 1935 g. 717 pp. Rubles 1.75.

MARXISM-Leninism on war and army (a Soviet view). Washington, G.P.O. (for the United States Air Force), 1974. 335 pp. (Soviet Military Thought, 2.) \$2.45.

SOWJETUNION 1973: Innenpolitik, Wirtschaft, Aussenpolitik, ed. by Wolfgang Berner [and others]. Munich, Hanser (for the Bundesinstitut für ostwissenschaftliche und internationale Studien), 1974. 198 pp.

ENVIRONMENT

ORGANIZATION and administration of environmental programmes. N.Y., 1974. 187 pp. (74.II.H.5.) \$8.00.

PROBLEMS in transfrontier pollution: record of a seminar on economic and legal aspects of transfrontier pollution held at the OECD in August 1972. Paris, OECD, 1974. 316 pp. \$8.50.

REPORT of the United Nations Conference on the Human Environment, Stockholm, 5-16 June, 1972. N.Y., 1973. 77 pp. (73.II.A.14.) \$4.00.

THE SEA: economic and technological aspects; a select bibliography. N.Y., 1974. 41 pp. (74.I.16.) \$2.50.

HUMAN settlements: the environmental challenge; a compendium of United Nations papers prepared for the Stockholm Conference on the Human Environment 1972. N.Y., United Nations Department of Economic and Social Affairs, 1974. 209 pp. \$15.00.

FINANCIAL POLICY

FOREIGN investment in the United States. Hearings, Subcommittee on International Finance, Committee on Banking, Housing and Urban Affairs, Senate, Jan. 23-Feb. 22, 1974. Washington, 1974. 150 pp.

FOREIGN investment in the United States. Hearings, Subcommittee on Foreign Economic Policy, Committee on Foreign Affairs, House, Jan. 29-Feb. 21, 1974. Washington, 1974. 478 pp.

—, Report, Jl. 7, 1974. Washington, 1974. 14 pp. (Com. Print.)

INCREASED U.S. participation in the Asian Development Bank. Report, Committee on Foreign Relations, Senate, to accompany S. 2193, Jl. 30, 1974. Washington, 1974. 11 pp. (S. Rept. 93-1040.)

THE IMPACT of multinational corporations on development and on international relations. N.Y., 1974. 162 pp. (74.II.A.5.) \$10.00.

MONEY, finance and development: papers on international monetary reform. N.Y., 1974. 52 pp. (74.II.D.15.) \$2.50.

FOOD AND NUTRITION

INTERNATIONAL food reserves: background and current proposals. Prepared for the Subcommittee on International Organizations and Movements, Committee on Foreign Affairs, House, by . . . Congressional Research Service, Library of Congress, Oct. 1974. Washington, 1974. 138 pp.

WORLD food resolution. Report, Committee on Foreign Relations, Senate, to accompany S. Res. 329, Aug. 5, 1974. Washington, 1974, 3 pp. (S. Rept. 93-1070.)

FOREIGN AID

DISASTER assistance authorization. Hearing, Committee on Foreign Affairs, House, on H.R. 12412, Feb. 6, 1974. Washington, 1974. 51 pp.

—, Act, approved Jl. 8, 1974. Washington, 1974. 1 p. (93-933—H.R. 12412.)

INTERNATIONAL LAW

DIGEST of United States practice in international law, 1973, by Arthur W. Rovine. Washington, 1974. 618 pp. (Dept. of State Publication, 8756.)

RATIFICATION of the Geneva Protocol of 1925. Report, Committee on Foreign Affairs, House, on Res. 1258, Aug. 2, 1974. Washington, 1974. 10 pp. (H. Rept. 93-1257.)

MIDDLE EAST

— TURKISH opium ban negotiations. Hearing, Committee on Foreign Affairs, House, on H. Con. Res. 507, Jl. 16, 1974. Washington, 1974. 79 pp.

OUTER SPACE

— NASA authorization for Fiscal Year 1975. Report, Committee on Aeronautical and Space Sciences, Senate, on H.R. 13998, May 6, 1974. Washington, 1974. 135 pp. (S. Rept. 93-818.)

— Conference Report, May 30, 1974. Washington, 1974. 10 pp. (S. Rept. 93-886.)

— Act, approved Je. 22, 1974. Washington, 1974. 5 pp. (93-316—H.R. 13998.)

POPULATION

— POPULATION policies and economic development. Baltimore, The Johns Hopkins University Press (for the World Bank), 1974. 214 pp. (A World Bank Staff Report.)

— CONCISE report on the world population situation in 1970-1975 and its long-range implications. N.Y., 1974. 70 pp. (74.XIII.4.) \$3.00.

— THE DETERMINANTS and consequences of population trends; new summary of findings on inter-action of demographic, economic and social factors, v.1. N.Y., 1973. 661 pp. (71.XIII.5.) \$24.00.

RAW MATERIALS AND ENERGY RESOURCES

— ENERGY statistics. Hearings, Subcommittee on Priorities and Economy in Government, Joint Economic Committee, Jan. 14-21, 1974. Washington, 1974. 446 pp.

— THE COMMUNITY oil sector medium-term forecast and guidelines. Brussels, Commission on the European Communities, n.d. 87 pp.

SCIENCE AND TECHNOLOGY

— SCIENCE, technology, and American diplomacy: brain drain; a study of the persistent issues of international scientific mobility. Prepared for the Subcommittee on National Security Policy and Scientific Developments, Committee on Foreign Affairs, House, by Congressional Research Service, Library of Congress, Sept. 1974. Washington, 1974. 272 pp. (Com. Print.)

— SCIENTIFIC-technical progress and the revolution in military affairs (a Soviet view), ed. by Col. Gen. N. A. Lomov. Washington, G.P.O. (for the United States Air Force), 1974. 279 pp. (Soviet Military Thought, 3.) \$2.25.

— WEATHER modification. Hearings, Subcommittee on Oceans and International Environment, Committee on Foreign Relations, Senate, Jan. 25-Mar. 20, 1974. Washington, 1974. 123 pp.

— INTERNATIONAL educational and cultural exchange: a human contribution to the structure of peace. Washington, Dept. of State, 1974. 44 pp. 95¢.

UNDERDEVELOPED AREAS

— CURRENT problems of economic integration; the role of institutions in regional integration among developing countries, by Dusan Sidjanski. N.Y., 1974. 187 pp. (73.II.D.10.) \$4.50.

— DEVELOPING island countries; report of the Panel of Experts. N.Y., 1974. 44 pp. (74.II.D.6.) \$2.50.

— INDUSTRIALIZATION for new development needs; views and recommendations of the Committee for Development Planning. N.Y., 1974. 28 pp. (74.II.A.4.) \$1.50.

— PROCEEDINGS of the Interregional Seminar on Organization and Administration of Development Planning Agencies, Kiev, Ukrainian Soviet Socialist Republic, 16-25 October 1972. N.Y., 1974. 2v. (74.II.H.2-3) \$7.00 and \$10.00.

UNITED NATIONS

— THE UNITED Nations: expendable or indispensable? Report, Committee on Foreign Affairs, House, Mar. 1974. Washington, 1974. 54 pp.

UNITED STATES

— DEPARTMENT of Defense Appropriation Authorization Act, 1975. Act, approved Aug. 5, 1974. Washington, 1974. 10 pp. (93-365—H.R. 14592.)

— DEPARTMENT of State Appropriations Authorizations Act of 1973, amendments. Act, approved Je. 8, 1974. Washington, 1974. 2 pp. (93-312—H.R. 12466.)

"RIGHT to Peace" Resolution. Hearing, Subcommittee on International Organizations and Movements, Committee on Foreign Affairs, House, on H. Con. Res. 417 and 418, Mar. 13, 1974. Washington, 1974. 39 pp.

[STUDY Mission Reports], Committee on Foreign Affairs, House. Washington, 1974.

CONTROLLING the damage: U.S. policy options for Greece. Feb. 1974. 27 pp. The politics of the poppy. May 1974. 11 pp. Old problems—new relationships. Jl. 15, 1974. 40 pp.

FOREIGN relations of the United States. Washington, 1974. 1949. Vol. III. Council of Foreign Ministers; Germany and Austria. 1324 pp. \$14.55.

RADIO Free Europe and Radio Liberty authorization. Hearing, Committee on Foreign Relations, Senate, on S. 3190, May 30, 1974. Washington, 1974. 62 pp.

THE BOARD for International Broadcasting, Radio Free Europe and Radio Liberty. Hearings, Committee on Foreign Affairs, House, on H.R. 14780, May 14-15, 1974. Washington, 1974. 108 pp.

WESTERN EUROPE

TEXTS relating to the European political co-operation. Bonn, Press and Information Office, 1974. 121 pp.

THE FEDERAL Republic of Germany: member of the United Nations; a documentation. Bonn, Siegler (for the Press and Information Office), 1974. 200 pp.

THE SECURITY of the Federal Republic of Germany and the development of the Federal Armed Forces. Bonn, Minister of Defence, 1974. 257 pp. (White Paper 1973/1974.)

WESTERN HEMISPHERE

CUBA. Staff report, Committee on Foreign Relations, Senate, Aug. 2, 1974. Washington, 1974. 11 pp. (Com. Print.)

II. OTHER PUBLICATIONS

AFRICAN AIMS AND ATTITUDES: SELECTED DOCUMENTS, ed. by Martin Minogue and Judith Molloy. N.Y., Cambridge Univ. Press, 1974. 400 pp. \$19.50.

AEI-HOOVER POLICY STUDIES. Washington, American Enterprise Institute for Public Policy Research; Stanford, Hoover Institution on War, Revolution and Peace, 1974. \$3.00 each.

The Future of the China market: prospects for Sino-American trade, by Edward Neilan and C. R. Smith. 94 pp. Agreement on Berlin: a study of the 1970-72 quadripartite negotiations, by D. L. Bark. 131 pp.

ANGLO-AMERICAN RELATIONS SINCE THE SECOND WORLD WAR, comp. and ed. by I. S. McDonald. N.Y., St. Martin's Press, 1974. 263 pp. \$12.95.

DIE ASSOZIIERUNGS- und Präferenzpolitik der EG: ein Beitrag zur Entwicklungshilfe? By T. M. Loch and H. Hasenpflug. Bonn, Europa Union Verlag, 1974. 149 pp. (Europäische Schriften des Instituts für Europäische Politik, 36.)

THE CANADA-UNITED STATES INTERPARLIAMENTARY GROUP, by M. J. Abrams. Ottawa, Parliamentary Centre for Foreign Affairs and Foreign Trade; Toronto, Canadian Institute of International Affairs, 1973. 148 pp. \$3.75.

CAREER MOTIVATIONS OF ADMINISTRATORS AND THEIR IMPACT IN THE EUROPEAN COMMUNITY, by R. L. Peterson. Denver, Univ. of Denver (for the Social Science Foundation and Graduate School of International Studies), 1974. 42 pp. Monograph Series in World Affairs, Vol. 11, no. 4.)

THE CHALLENGE OF NEW TERRITORIES, by Finn Sollie [and others]. Oslo, Universitetsforlaget (for the Fridtjof Nansen Foundation), 1974. 172 pp.

CHANGE IN ADMINISTRATIVE STRUCTURES: A CASE STUDY OF KENYAN AGRICULTURAL DEVELOPMENT, by Christopher Trapman. London, Overseas Development Institute, 1974. 100 pp. £2.00.

CHINA AND THE GREAT POWERS: RELATIONS WITH THE UNITED STATES, THE SOVIET UNION, AND JAPAN, ed. by F. O. Wilcox. N.Y., Praeger, 1974. 103 pp.

CHINA UND DIE SOWJETUNION: AUFBAU UND ZERFALL EINER ALLIANZ, by Joachim Glaubitz. Hanover, Niedersächsische Landeszentrale für Politische Bildung, 1973. 114 pp.

CHINA'S INTERNAL POLITICS, EXTERNAL THREATS, AND ALLOCATIONS OF MILITARY VERSUS PROPAGANDA RESOURCES, 1965 TO 1971; A REPORT PREPARED FOR DEFENSE ADVANCED RESEARCH PROJECTS AGENCY, by W. W. Whitson. Santa Monica, Cal., Rand, 1974. 58 pp. (R-1090-ARPA.)

CHOIX; VERS UN ACCORD AMERICANO-CUBAIN. Quebec, Centre Québécois de Relations Internationales, 1974. 210 pp.

- CONVERGENCE OF COMMUNISM AND CAPITALISM: THE SOVIET VIEW, by Leon Goufe [and others]. Coral Gables, Center for Advanced International Studies, University of Miami, 1973. 168 pp. (Monographs in International Affairs.) \$4.95.
- THE EFFECTS OF DEVELOPMENTS IN THE BIOLOGICAL AND CHEMICAL SCIENCES ON CW DISARMAMENT NEGOTIATIONS. Stockholm, Stockholm International Peace Research Institute, 1974. 54 pp.
- THE EUROPEAN COMMUNITY AND EASTERN EUROPE, by Charles Ransom. Totowa, N.J., Rowman and Littlefield, 1973. 112 pp. (European Community Studies.) \$5.00.
- FOREIGN AFFAIRS STUDIES. Washington, American Enterprise Institute for Public Policy Research, 1974. \$3.00 each.
- Britain at the polls: the parliamentary election of February 1974, ed. by H. R. Penniman. 181 pp. Malaysia: a study in successful economic development, by Wolfgang Kasper. 130 pp.
- A FOREIGN POLICY FOR AN INDEPENDENT PAPUA NEW GUINEA, ed. by James Griffin. Sydney, Angus and Robertson (in association with the Australian Institute of International Affairs), 1974. 163 pp.
- INTEGRATIONSPROBLEME IM RAT FÜR GEGENSEITIGE WIRTSCHAFTSHILFE (RGW): LÖSUNGSANSÄTZE BIS ZUM KOMPLEXPROGRAMM DES RGW, by Rolf Steffens. Hamburg, Verlag Weltarchiv, 1974. 295 pp. (Veröffentlichungen des HWWA-Institut für Wirtschaftsforschung-Hamburg.)
- INTERNATIONALE BANKEN: AUSLANDSAKTIVITÄTEN VON BANKEN BEDEUTENDER INDUSTRIELÄNDER, by Ursel Steuber. Hamburg, Verlag Weltarchiv, 1974. 204 pp. (HWWA-Studien zur Außenwirtschaft und Entwicklungspolitik.)
- THE INTERNATIONAL DIVISION OF LABOR IN VIEW OF THE SECOND DEVELOPMENT DECADE, by René Codoni. Zurich, Swiss Federal Institute of Technology, Center for Economic Research, 1974. 127 pp. (Research Monographs, N.S., 10.)
- ITALY, NATO, AND THE EUROPEAN COMMUNITY: THE INTERPLAY OF FOREIGN POLICY AND DOMESTIC POLITICS, by Primo Vannicelli. Cambridge, Center for International Affairs, Harvard Univ., 1974. 67 pp. (Harvard Studies in International Affairs, 31.) \$3.25.
- JERUSALEM PAPERS ON PEACE PROBLEMS. Jerusalem, The Hebrew University of Jerusalem, The Leonard Davis Institute for International Relations, 1974. 75¢ each.
1. Peace conferences: the formal aspects, by Raymond Cohen and Stuart Cohen. 28 pp. 2. The juridical status of Jerusalem, by Yehuda Zvi Blum. 32 pp. 3. The role of Great Power guarantees in international peace agreements, by Alan Dowty. 46 pp. 4. Soviet and Chinese relations with the Palestinian guerrilla organizations, by Moshe Ma'oz. 35 pp. 5. Sharm al-Sheikh-Bab al-Mandeb: the strategic balance and Israel's southern approaches, by Mordechai Abir. 29 pp.
- LÖSUNGSVORSCHLÄGE FÜR DIE WELT-ENERGIEPROBLEME: BERICHT EINER EXPERTENGRUPPE AUS LÄNDERN DER EUROPÄISCHEN GEMEINSCHAFT, JAPAN UND NORDAMERIKA. Bonn, Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik, 1974. 73 pp. (Arbeitspapiere zur internationalen Politik, 3.)
- MBFR AT THE CROSSROADS, ed. by Z. M. Szaz. Washington, American Institute on Problems of European Unity, 1974. 114 pp.
- NUCLEAR ARMS CONTROL AGREEMENTS: PROCESS AND IMPACT, by G. W. Rathjens, Abram Chayes and J. P. Ruina. Washington, Carnegie Endowment for International Peace, 1974. 72 pp. \$1.00.
- OFFENSIVE MISSILES. Stockholm, Stockholm International Peace Research Institute, 1974. 34 pp. (Stockholm Paper, 5.)
- OFFSHORE PRODUCTION IN THE LESS DEVELOPED COUNTRIES — A CASE STUDY OF MULTINATIONALITY IN THE ELECTRONICS INDUSTRY, by R. W. Moxon. N.Y., New York Univ. Graduate School of Business Administration, Institute of Finance, 1974. 90 pp. (The Bulletin, nos. 98-99.) \$2.00.
- OLIEKRISEN — FUP ELLER FAKTA, by S. O. Gade. Copenhagen, Det Danske Forlag, 1974. 28 pp. (Udenrigspolitiske Skrifter, Serie 12, nr. 1.) Kr. 11.00.
- THE ORIGINS AND INTERNATIONAL ECONOMICS OF SPACE EXPLORATION, by Bernard Lovell. N.Y., John Wiley & Sons, 1973. 104 pp.
- PARLIAMENTS AND EUROPEAN RAPPROCHEMENT: THE CONFERENCE OF THE INTERPARLIAMENTARY UNION OF EUROPEAN CO-OPERATION AND SECURITY (HELSINKI, JANUARY 1973), by Jukka Huopaniemi. Leiden, Sijthoff (for the Institut Universitaire de Hautes Études Internationales, Genève), 1973. 138 pp.
- PARTY AND LOCALITY IN NORTHERN UGANDA, 1945-1962, by Cherry Gertzel. London, Athlone Press (for the University of London Institute of Commonwealth Studies), 1974. 100 pp. (Commonwealth Studies, 16.) £1.25.

- PEOPLE'S CHINA AND INTERNATIONAL LAW: A DOCUMENTARY STUDY, by J. A. Cohen and Hungdah Chiu. Princeton, Princeton Univ. Press, 1974. 2 v. (Studies in East Asian Law, Harvard University.) \$60.00.
- THE PEOPLE'S LIBERATION ARMY: COMMUNIST CHINA'S ARMED FORCES, by A. M. Fraser. N.Y., Crane, Russak & Co. (for the National Strategy Information Center, Inc.), 1973. 62 pp. \$4.95.
- POLLUTION AND INTERNATIONAL BOUNDARIES: UNITED STATES-MEXICAN ENVIRONMENTAL PROBLEMS, ed. by A. E. Utton. Albuquerque, Univ. of New Mexico Press, 1973. 135 pp. \$3.95.
- REPRISALS: RITUALS, RULES, RATIONALES, by N. G. Onuf. Princeton, Princeton Univ., Woodrow Wilson School of Public and International Affairs, Center of International Studies, 1974. 63 pp. (Research Monograph, 42.) \$4.00.
- SCHWARZE POLITIK AUS BAYERN: EIN LESEBUCH ZUR CSU, ed. by Stephan Schmidt. Darmstadt, Luchterhand, 1974. 156 pp. DM 5.80.
- STRATEGIC IMPLICATIONS OF AMERICAN BASES IN AUSTRALIA, by Desmond Ball. Clayton, Victoria, Monash University, 1974. 22 pp. (International Seminar Papers, 3.)
- TOWARD A NEW INTERNATIONAL ECONOMIC SYSTEM: A JOINT JAPANESE-AMERICAN VIEW. N.Y., Committee for Economic Development, 1974. 54 pp. (A Statement by the Research and Policy Committee for Economic Development and Keizai Doyukai, the Japan Committee for Economic Development.)
- THE UNCERTAIN ALLIANCE: CHURCH AND LABOR IN LATIN AMERICA, by A. U. Floridi and A. E. Stiefbold. Coral Gables, Univ. of Miami, Center for Advanced International Studies, 1973. 108 pp. (Monographs in International Affairs.) \$4.95.
- UNITED NATIONS CAPITAL DEVELOPMENT FUND: POOR AND RICH WORLDS IN COLLISION, by M. V. Kamara and J. C. Plano. Kalamazoo, Western Michigan Univ., Institute of Public Affairs, 1974. 98 pp.
- U.S. FORCE STRUCTURE IN NATO: AN ALTERNATIVE, by R. D. Lawrence and Jeffrey Record. Washington, The Brookings Institution, 1974. 136 pp. (Studies in Defense Policy.) \$2.50.
- VÄRLDSPOLITIKENS DAGSRÅGOR. Stockholm, Utrikespolitiska Institutet, 1974. Kr. 4.50. each. 4-5. Stormaktspolitiken 1972-73, by Erik Holm. 64 pp. 6. Befolningsfrågan, by Georg Bergström. 24 pp. 7. Australien under labour, by Jan Larsen. 32 pp.
- DIE VERTRÄGE VON MOSKAU UND WARSCHAU: POLITISCHE, VERFASSUNGSRECHTLICHE UND VÖLKERRECHTLICHE ASPEKTE, by Claus Arndt. Bonn-Bad Godesberg, Verlag Neue Gesellschaft, 1973. 216 pp.
- THE WASHINGTON PAPERS. Beverly Hills, Sage Publications (for the Center for Strategic and International Studies, Georgetown Univ.), 1974. \$2.50 each.
- Vol. 2, No. 15.* Political arithmetic of the world economies, by Herbert Block. 90 pp. *No. 16.* Yugoslavia: in the twilight of Tito, by A. R. Johnson. 67 pp. *No. 17.* World food crisis and agricultural trade problems, by Egbert de Vries and J. H. Richter-Altschaffer. 108 pp.
- WHAT'S WRONG WITH HENRY KISSINGER'S FOREIGN POLICY, by R. A. Falk. Princeton, Princeton Univ., Woodrow Wilson School of Public and International Studies, Center of International Studies, 1974. 36 pp. (Policy Memorandum No. 39.) \$3.00.
- WORLD POVERTY AND DEVELOPMENT: A SURVEY OF AMERICAN OPINION, by P. A. Laudicina. Washington, Overseas Development Council, 1973. 126 pp. (Monographs, 8.) \$2.50.